

LARGE SCALE PROJECTS

# Mt Roskill & Oranga Precincts



## PROGRAMME BUSINESS CASE

Prepared for:  
Kāinga Ora  
Board and Cabinet

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## Glossary

Affordable housing	Non-market housing typologies, including KiwiBuild, progress home ownership and build-to-rent	MSD	Ministry of Social Development
AHP	Auckland Housing Programme	NPC	Net present cost
ALR	Auckland Light Rail	NPS-UD	National Policy Statement on Urban Development 2020
AT?	Auckland Transport	NZBIF	New Zealand Building Industry Federation
AUP	Auckland Unitary Plan	NZIER	NZ Institute of Economic Research
BMP	Benefits Management Plan	P&G	Preliminaries and general
CCO	Council Controlled Organisation	Pā Harakeke	Kāinga Ora's Social and Sustainable Procurement Strategy
CIG	Kāinga Ora's Construction and Innovation Group	PAB	Project Alliance Board
CPAP	Construction Programme Advisory Panel	Pae Tātaki	Urban Development, Land and Housing Supply Pae Tātaki
CPI	Consumer Price Index	Panuku	Eke Panuku Development Auckland
CSFs	Critical Success Factors	PBC	Programme Business Case
DA	Development Agreement	PCG	Project Control Group
DC	Development Contribution	PGB	Programme Governance Board
DD	Due Diligence	PHP	Public Housing Plan
DIA	Department of Internal Affairs	PPI	Producer's Price Index
FTE	Full-time equivalent	Public housing	Housing provided to tenants through the income related rent regime
GPS-HUD	Government Policy Statement on Housing and Urban Development	REINZ	Real Estate Institute of New Zealand Inc
HAF	Housing Acceleration Fund	RBNZ	Reserve Bank of New Zealand
HLC	Hobsonville Land Company (a former entity that is now part of Kāinga Ora)	RMA	Resource Management Act
HNZC	Housing New Zealand Corporation	QRA	Quantitative Risk Analysis
Housing Supply Bill	Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill	UDA	Urban Development Act 2020
HUD	Ministry of Housing and Urban Development	SDP	Specified Development Project (under the Urban Development Act 2020)
IDC	Kāinga Ora's Investment and Delivery Committee	SHZ	Single House Zone
IFF	Infrastructure Funding and Financing Act 2020	SOP	Standard Operating Procedure
IM	Information Memorandum	State housing	Public housing operated by Kāinga Ora
IMF	Kāinga Ora's Investment Management Framework	Starting rents	The capitalised value of net lost revenue from public housing that needs to be removed to facilitate the LSPs
Isthmus	An urban design consultancy	THAB	Terrace Housing & Apartment Building Zone
ITP	Invitation to Participate	TOC	Target Outturn Cost
Kāinga Ora	Kāinga Ora – Homes and Communities	Treasury	The Treasury New Zealand
KiwiBuild	A New Zealand affordable housing scheme	TRC	Tāmaki Regeneration Company
LSF	Living Standards Framework	UDA	Urban Development Act
LSP	Large Scale Project	UDD	Urban Development and Delivery (a team within Kāinga Ora)
MDRS	Medium Density Residential Standards	the Unit	ALR Establishment Unit
MHS	Mixed Housing Suburban Zone	Watercare	Watercare Services Limited
MHU	Mixed Housing Urban Zone		

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## Purpose and Context

The purpose of this precinct business case is to consider the case for Crown investment in large scale land development in Auckland, and assess and agree the optimal approach for the allocation of the Housing Acceleration Fund (HAF) to the Roskill and Oranga Large Scale Projects (LSP). They are two of six LSPs currently being delivered by Kāinga Ora:

- Roskill
- Oranga
- Mangere
- Tāmaki
- Northcote
- Eastern Porirua

The LSPs are a 20+ year portfolio of land development and infrastructure activities that will enable development of new homes to meet critical and growing housing shortages. The LSPs will prepare large tranches of land so that new housing can be built that is healthy, increases housing supply across tenure, better utilises land holdings and in locations that have significant housing demand.

Delivery of the LSPs was underway when Kāinga Ora identified a significant funding gap. In April 2021 Cabinet supported the decision to hold \$2.3 billion of the HAF for the LSPs on the basis of full funding (or the development plan option) for Auckland LSPs and scaled back funding for the Porirua LSP (1).

The Minister of Housing asked Kāinga Ora to produce four business cases to inform the final decisions on the allocation of HAF funding to the portfolio of LSPs.

- Roskill and Oranga business case
- Mangere business case
- Tāmaki business case
- Porirua business case

The business cases cover the period of time that the HAF funding is available and therefore only cover those neighbourhoods that will have development activity over the next five years. For Roskill, four neighbourhoods are within scope and twelve are not. The in scope neighbourhoods are Roskill South, Ōwairaka, Waikōwhai, and Wesley West. The Oranga precinct has one neighbourhood that is being delivered in seven stages, all of which are within scope.

Each of the above business cases are programme business cases under the Better Business Case framework and will be supported by a series of business cases that fit under them to inform decisions at a neighbourhood level. The starting point for the four business cases is unique because delivery is already underway and a range of options were considered and dismissed earlier in the process. The previous decisions are detailed further in the Strategic Case.

This business case is structured around five cases:

- The Strategic Case establishes why the Roskill and Oranga LSPs are needed and the benefits that the LSP programme will aim to achieve. It concludes with a set of investment objectives that underpin the remainder of the business case.
- The Economic Case assesses the optimal solution for achieving the investment objectives and concludes with a preferred way forward. The potential options explored in this business case were agreed with HUD and the Treasury and are iterations on the Development Plan.
- The Commercial Case establishes the optimal approach to delivering the preferred way forward, taking into account the current state of the market and the commercial arrangements already in place for delivery.
- The Financial Case sets out the costs and revenues of the preferred way forward and assesses its affordability.
- The Management Case details the governance and programme management structures that will be used to ensure effective and efficient delivery.

Note this programme business case is subject to change depending on Cabinet decisions.

## Executive Summary

The Roskill and Oranga Developments are a once in a generation opportunity to renovate a significant portion of Auckland's central isthmus where poor mid-20th century urban and infrastructure design combined with high concentrations of aged cold and damp public housing stock have suppressed positive social outcomes and community wellbeing for generations.

As at June 2021 the Ministry of Social Development waitlist had 10,575 applicants in Auckland waiting for a new or alternate home. In addition to this, this development responds to challenges including infrastructure which is fit for purpose to support a growing city, affordable housing options and alternative tenure models which will provide security for Aucklanders.

The Roskill and Oranga Developments deliver new warm, dry, fit for purpose homes, by replacing and increasing the total number of public housing stock to help meet New Zealand's public housing shortage. The development also delivers much needed affordable and market housing into Auckland's undersupplied residential market while at the same time repairing the urban design mistakes of the past.

The development addresses growth requirements and legacy issues such as deferred maintenance of Auckland Council's public infrastructure networks. The investment will prepare the land for future generations to make the most of Roskill's city fringe location and Oranga's central location.

The planned density and growth, which is in line with the Unitary Plan, will create thriving, liveable neighbourhoods which enable the community to connect with the past and present and prepare for the future. It will also enable the Roskill and Oranga communities to better connect with one-another.

While the total investment required is large, a significant proportion of the expenditure is required in the medium term regardless of the delivery scenario adopted to deal with maintenance and renewal of existing public homes and to tackle Auckland Council's infrastructure challenges. The delivery of an integrated development ensures these efforts and costs are targeted and delivered efficiently.

Not only will the Roskill and Oranga Developments deliver immediate housing and community improvements but wider All-Of-Government wellbeing benefits that multiply beyond the headline cost to deliver multi-billion dollar returns to Auckland and New Zealand.

The Roskill Development will enable delivery of approximately 12,000 new homes across 162 ha of land over 20 years. The Precinct is broken down into 16 local neighbourhoods, is bifurcated by State Highway 20 and has three Maunga located within its catchment. The Precinct is home to Te Auaunga Creek, the Wesley Community Centre and various primary and secondary schools.

The Oranga Development will enable delivery of 1,300 new homes across 20 ha of land in the next 8 years. With the premium suburbs surrounding the precinct such as One Tree Hill, Greenlane and Onehunga, the Oranga Development is not only a time to regenerate state housing in the area but an opportunity to provide affordable housing alternatives at a prime and central location in Auckland.

The Roskill and Oranga Developments are well advanced with Māori, community and Council engagement.

We are doing the mahi.

This Business Case serves to update the approved 2020 Development Plan as we know a lot more now than we did then as a result of;

1. Our developing relationships with mana whenua.
2. Our in-ground construction experience.
3. The hundreds of Council workshops undertaken to identify the infrastructure needs within the Roskill and Oranga catchments.
4. The literally thousands of cups of tea we have drunk with our communities as we seek to better understand what Roskill and Oranga means to them.

We acknowledge that building houses is not enough on its own; our goal is to create sustainable, inclusive and thriving communities. That means adding to the urban environment in a way that is socially, economically and environmentally sustainable for the people who will make these communities their home – both today and in the future. New homes will bring new people to the area to invest in and contribute to the community. This is good for local businesses and schools, creates jobs for local people, and provides pathways to home ownership.

Kāinga Ora legislation requires us to partner and have early and meaningful engagement with Māori and offer Māori opportunities to participate in urban development. The Act also requires Kāinga Ora to understand, support and enable Māori aspirations. These obligations will be reflected in governance, procurement, commercial, cultural, economic, and environmental outcomes of the project.

It is anticipated that as the project evolves, the quantity of houses supplied will adjust to learnings and market experience. For this reason, it is considered prudent to retain flexibility in infrastructure planning and investment, to accommodate further demand if required.

Since the post-World War II boom of the 1950's little to no investment, other than repairs and maintenance, has been made in the Roskill and Oranga communities. The Roskill and Oranga Developments represent a once in a generation opportunity to significantly improve the lives of current and future residents of Tāmaki Makaurau - making Roskill and Oranga modern, safe and diverse places to call home.

Most of the existing neighbourhoods within the LSPs are susceptible to issues of flooding due to overland flow paths. Significant rainfall events result in local wastewater networks overflowing onto public and private land and into waterways. These neighbourhoods are not climate resilient and need investment to address legacy issues and to prepare Communities for the future. The new stormwater network being constructed by Kāinga Ora in the Owairaka neighbourhood, along with other wastewater mitigation measures (including proposed diversions into Central Interceptor over coming years) will reduce overflows into Te Auaunga Awa at the overflow point next to Owairaka from approximately 15 overflows per year (50,000m<sup>3</sup>) down to 3x overflows per year (3,000m<sup>3</sup>). In addition, the proposed flood mitigation measures in the Wesley neighbourhood will reduce flood hazards across the neighbourhood enabling the increased density proposed in Wesley.

This Programme Business Case (PBC) seeks investment in the Roskill and Oranga LSPs, which are part of a portfolio of LSPs led by Kāinga Ora.

Each LSP will plan and develop large tracts of urban land to be ready for new, thriving communities to be built. The new housing will either be delivered by Kāinga Ora (state housing) or private developers (affordable and market housing) and its delivery, along with any ongoing costs, are outside the scope of this business case.

The Kāinga Ora Board and Ministers have set the direction for the Roskill and Oranga LSPs over recent years, including a decision through Budget 2021 that the Crown would contribute funding to the development over the next five years through the HAF. This business case builds of the previous decisions and considers the optimal approach to delivering the intended outcomes from the Roskill and Oranga LSPs while achieving value for money. While setting the overall strategy for the precinct, this business case only seeks investment for the five years covered by the HAF.

Kāinga Ora, in collaboration with the Te Tūāpapa Kāinga Kura Ministry of Housing and Urban Development (HUD) and the Treasury, established a set of investment objectives to guide the decisions on this business case:

- Respond to climate change, and other Crown objectives.
- Increase the pace of build-ready land in the Auckland LSPs to optimise density in locations close to jobs, schools, and services.
- Enable an appropriate mix of public, market, and affordable housing.
- Enable critical transport, water, and community infrastructure that improves wellbeing for the wider community and provides infrastructure capacity for wider growth in collaboration with Auckland Council, its CCOs, and other asset owners.
- Provide opportunity to partner with iwi to realise aspirations.

Based on these investment objectives, this business case concludes that:

- The trajectory of the May 2020 Roskill Development Plan, approved by the Kāinga Ora Board, which sees the entire 20 year programme enabling up to approximately 12,000 new warm dry homes should be continued, specifically to:
  - Enable land to deliver approximately 6,300 new warm, dry, and safe homes
  - Undertake land development activities over approximately 86 Ha of land in the Mt Roskill Precinct
  - Split the tenure mix by approximately 40% state homes, 30% affordable homes, 30% market homes as per the 2020 Development Plan.
- The Oranga precinct should proceed with the proposed 2021 Reforecast which has an increased yield from the 2019/2020 Momentum Funding Paper. Approximately 21 Ha of land will be remediated and developed to enable 1,3000 new homes, including 433 new state homes.
- The majority of capital works will be delivered through the Piritahi Alliance arrangement or through asset owners such as Auckland Transport, Watercare, Healthy Waters or Vector. Kāinga Ora will continue to evaluate the public value of the commercial arrangements over the long development period and look for opportunities for innovation and efficiency.
- The total estimated net cash investment for the Roskill and Oranga Precinct is \$1,925 million, with an economic shortfall of \$685 million. This is \$26 million higher than the net cost estimated in the HAF 5-year view due to:
  - Total revenue has increased. This is because superlot sales rates have been revised to reflect current sales rates that have been achieved in neighbourhoods to date. In addition, the Malcolm and Roma neighbourhood have been shifted and now sit outside the HAF 5-year view. The market/affordable sales have decreased as Waikōwhai has increased its state target to 40%.
  - Land development costs have decreased. The civils and infrastructure rate has increased based on the observed rates from neighbourhoods which are currently in progress. However, the Malcolm and Roma neighbourhood has now been excluded, which has a larger impact.
  - Precinct infrastructure costs have decreased. This is because key transport projects have been shifted outside the HAF 5-year view.
  - Other precinct costs have increased. This is primarily because UDD overheads were not included in the HAF 5-year view.
  - Contingency has increased. In the HAF 5-year view, a percentage was applied across all costs to estimate the contingency provision. As part of this business case, a Quantitative Risk Analysis has been performed which assesses the level of contingency based on the probability and impact of risks.
- The programme will be delivered in line with Kāinga Ora's Investment Management Framework, the LSP Governance and Decision-Making Framework for Auckland LSPs and good practice programme management principles. This includes:
  - A clear delegation framework and change control mechanisms at the project, programme, and portfolio level, with major changes referred to Ministers.

- A series of neighbourhood and infrastructure business cases that will sit under this precinct-level Business Case and will seek detailed decisions on delivery through the governance structure.
- Joint governance with asset owners for precinct infrastructure projects, with an escalation path through the senior executives and the Minister and Mayor if required.

**Summary of the scope of the investment sought for the Roskill and Oranga precincts**

Scope		
HAF 5-year view end date		30/06/2030
Number of neighbourhoods		5
Land Remediation		
Dwellings removed		1,543
Area of land enabled for housing		895,529m <sup>2</sup>
Area decontaminated and remediated		1,000,025m <sup>2</sup>
Homes Enabled		
State houses		2,674
Market houses		2,438
Affordable houses		2,438
Total houses		7,550
Uplift in state homes		1,131
Cost per home		
Total cost per home enabled excl. CCO		\$250,000
Net cost to Crown per home enabled excl. CCO		\$90,000
Precinct Infrastructure		
Asset Type	Number of Projects	Value (\$M)
Parks & community	0	\$0
Stormwater	2	\$18M
Transport	6	\$36M
Utilities	2	\$91M
Wastewater	4	\$2M
Water supply	3	\$59M
Process	2	\$1M
Total	19	\$207M

In addition to the above 19 precinct infrastructure projects, the investment also enables many projects at a neighbourhood level.

**Summary of Net Costs for the Roskill and Oranga LSPs**

Cash Flows (\$M)	Pre-FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Total
Total Revenue	s 9(2)(j)										1,240
Total Costs											(1,925)
<b>Net Costs (excl. CCO contribution)</b>											<b>(685)</b>

# 1

# Strategic Case



# 1 Strategic Case

Auckland is currently facing a housing shortage, with an insufficient number of houses being built to meet the demand from strong population growth. This has led to high land prices, unaffordable housing, and a system that incentivises land banking and speculation. It has also resulted in people having poor access to employment, education and social services. In short, under the current system, the cost of finding a home and living in Auckland is too high.

The LSPs aim to address the housing shortage by unlocking the land required to increase the volume and quality of housing stock in locations with critical housing needs.

This business case focuses on LSPs in Roskill and Oranga, which both require urgent action to address their existing housing situations. While Roskill and Oranga are two different precincts, there are presented together in this business case for efficiency purposes as (i) both precincts are located in central Auckland and share a range of commonalities and (ii) Oranga is a single neighbourhood that requires investment to close out the final stages.

In relation to Roskill, this strategic case presents a case for change to assess and agree the best way to optimise social, cultural and environmental benefits within the Roskill precinct. In relation to Oranga, this strategic case captures the scope changes, market pricing movement, civil construction details and funding approvals required for completion of the LSP.

This strategic case will be presented in the following three parts:

- Part A: Strategic context** The purpose of Part A is to introduce the context of urban development in New Zealand by outlining:
- the local, regional, and national Government policies and targets setting the direction for housing supply in New Zealand;
  - an overview of Kāinga Ora and other stakeholders that have key roles in delivery of housing in Auckland; and
  - the background to LSPs, including the progress to date and the need for additional funding.
- Part B: The case for change** Part B sets out the problems existing in the Auckland housing environment and, more specifically, the Roskill and Oranga precincts. Part B then identifies the opportunities presented by LSPs to further the Government's housing policies and enable increased housing supply.
- Part C: Investment objectives, risks, constraints, and dependencies** Part C builds on the problems and opportunities identified in the previous section by focusing on the outcomes of the LSPs. This includes:
- the specific investment objectives;
  - the specific benefits that can be realised from an investment in the Roskill and Oranga precincts; and
  - the strategic risks associated with the portfolio, including the assumptions, constraints, and dependencies of the potential investment.

## Part A: Strategic context

### 1.1 Links to wider Government strategies and policies

In recent years, the Government has established policies and documents that promote the increased supply of housing across New Zealand. A detailed (non-exhaustive) list of documents and policies that influence the Government’s progress and direction of urban development is set out in Appendix A.

In particular, the following three documents demonstrate a clear policy and direction to actively address housing supply with a focus on sustainable, inclusive, and thriving communities.

Document or Policy Name	Relevance
<b>Government Policy Statement on Housing and Urban Development (GPS-HUD)</b>	<p>The 2021 GPS-HUD outlines the Government’s direction for housing and urban development in New Zealand over the next 30 years. The core vision set out in the GPS-HUD is that housing should be stable, affordable, healthy and of a high quality, accessible, environmentally sustainable and energy efficient.</p> <p>This vision informs the following four desired Government outcomes to be achieved through future policy and legislative settings:</p> <ul style="list-style-type: none"> <li>— <b>Thriving and resilient communities:</b> Everyone is living in communities that meet their needs. The places where people live are accessible and connected to employment, education, social and cultural opportunities. They grow and change well within environmental limits, support our culture and heritage, are resilient to natural hazards, and help reduce emissions and adapt to the impacts of a changing climate.</li> <li>— <b>Wellbeing through housing:</b> Everyone lives in a home, whether rented or owned, that is stable and affordable. The quality, accessibility, size, and features of our homes support people and families to live healthy, successful lives.</li> <li>— <b>Māori housing through partnership:</b> Māori and the Crown are working together in partnership to ensure all whānau have safe, healthy affordable homes with secure tenure. Māori housing solutions are led by Māori and are delivered locally. Māori are able to use their own assets and whenua Māori to invest in and support housing solutions.</li> <li>— <b>An adaptive and responsive system:</b> The system is integrated, self-adjusting and delivers in response to emerging challenges and opportunities. Land-use change, infrastructure and housing supply is responsive to demand, well-planned and well-regulated.</li> </ul>
<b>National Policy Statement on Urban Development 2020 (NPS-UD)</b>	<p>The NPS-UD contains objectives and policies that councils must give effect to in their resource management decisions in order to enable greater housing supply and to ensure a well-functioning urban environment for all people, communities and future generations.</p> <p>This includes:</p>

- 
- **Up-zoning:** ensuring that plans make room for growth both ‘up’ and ‘out’, and that rules are not unnecessarily restrictive or constraining growth;
  - **Demand driven:** ensuring that housing supply is of a form and in locations that meet the diverse needs of communities; and
  - **Te Tiriti o Waitangi:** ensuring urban development occurs in a way that takes into account the principles of the Treaty of Waitangi (te Tiriti o Waitangi)

The most rigorous objectives and policies of the NPS-UD are targeted at the largest and fastest growing urban centres (such as Auckland) to ensure the greatest housing impact.

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### Living Standards Framework

The Living Standards Framework (LSF) was developed to support the Treasury to consider, measure and analyse intergenerational wellbeing.

The LSF aims to deliver better policy advice to Ministers targeted at improving living standards and which takes into account the impact on New Zealand’s current and future stocks and flows of wellbeing. The LSF also allows comparisons of wellbeing across population groups and internationally to identify where New Zealand’s living standards may fall short.

The LSF includes three levels to assist in measuring and analysing effects on wellbeing:

1. **Individual and Collective Wellbeing:** This level captures the resources and aspects of people’s lives that have been identified by research or public engagement as important for wellbeing as individuals, families, whānau and communities.
  2. **Institutions and Governance:** This level captures the role our institutions and organisations play in facilitating the wellbeing of individuals and collectives, as well as safeguarding and building our national wealth.
  3. **The Wealth of Aotearoa New Zealand:** This captures how wealthy we are overall, including aspects of wealth not fully captured in the system of national accounts such as human capability and the natural environment.
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## 1.2 Organisational overview and stakeholders

The LSPs are significant programmes for Auckland. While Kāinga Ora is the lead delivery agency, it must work closely with communities, iwi, Auckland Council and asset owners to ensure the programmes successfully deliver the social, cultural, environmental and economic outcomes.

### 1.2.1 Kāinga Ora

Kāinga Ora was established by the Kāinga Ora - Homes and Communities Act 2019. Under this legislation, Kāinga Ora assumed the roles of three existing entities: Housing New Zealand Corporation, HLC (2017) Limited and the KiwiBuild Unit (which was part of HUD).

As the Government’s primary housing and urban development delivery arm, Kāinga Ora is mandated to create urban environments in a way that is socially, economically, and environmentally sustainable for the people who will make those communities their home, both today and in the future.

Kāinga Ora’s objectives and operating principles are expressly set out in the Kāinga Ora – Homes and Communities Act 2019 and include to:

- provide people with good quality, affordable housing choices that meet diverse needs; and
- support good access to jobs, amenities, and services; and
- otherwise sustain or enhance the overall economic, social, environmental, and cultural well-being of current and future generations.

In giving effect to these principles, Kāinga Ora is required to:

- partner and have early and meaningful engagement with Māori and offer Māori opportunities to participate in urban development; and
- mitigate and adapt to the effects of climate change.

Kāinga Ora is uniquely positioned to address housing issues in a way that could not have been achieved by its predecessors. In particular:

**Development at scale** Kāinga Ora holds large areas of strategically located land across New Zealand that can help fuel housing sector growth and be leveraged to create more sustainable and affordable urban and community outcomes

The scale of the Kāinga Ora developments provides an opportunity to look at both hard infrastructure to enable homes, and community infrastructure to support families in areas which have traditionally seen under investment. These upgrades have wider halo benefits than just the Kāinga Ora land, such as enabling private market infill housing and therefore an even greater increase in housing supply.

**New powers** Two statutory initiatives enacted in 2020 have increased ability of Kāinga Ora and stakeholders to deliver housing outcomes:

- **Infrastructure Funding and Financing Act 2020:** this legislation provides opportunities for local councils, Māori and iwi, and developers to partner and deliver infrastructure, free of the council’s debt limits or from charging high upfront costs to developers.
- **Urban Development Act 2020:** this legislation gives Kāinga Ora the ability to fast track urban development for large-scale and complex projects, called “specified development projects” (“SDPs”). SDPs are projects in a defined area or areas with stated development objectives and a defined governance.

The value of the SDP process is that it brings together multiple and otherwise separate processes required for urban development and enables them to be accessed through a single, integrated process - without losing important checks and balances. This results in the planning, infrastructure and funding for a project being agreed up front, providing greater certainty and coordination for project implementation and delivery.

To achieve the delivery of SDPs, Kāinga Ora has been given access to a wide range of powers, including the power to (i) act as a consent authority (for consents under district plans) and the Resource Management Act (ii) use funding tools for infrastructure and development activities (iii) levy targeted rates and development contributions (iv) build and change infrastructure, and (v) reconfigure reserves.

**Whole community approach** Kāinga Ora’s broad mandate enables a whole-community approach, where it can better facilitate collaborative infrastructure planning that considers future growth needs and supports the inclusion of amenities and public spaces that bring non-financial benefits.

### 1.2.2 Auckland Council and asset owners

Auckland Council has both a strategic role in setting the future direction of urban development in Auckland, and a regulatory role. It established the Unitary Plan that identifies areas of future growth and enables higher density housing. This has guided Kāinga Ora's identification of the LSPs as priority areas for development and its ambitions for the number of houses to be delivered.

Auckland Council and its CCOs also have responsibility for planning, investing in and operating key infrastructure across the region:

- Auckland Transport (a CCO) is responsible for the roading network, pedestrian facilities, and public transport
- Watercare (a CCO) is responsible for drinking water and wastewater
- Healthy Waters (within Auckland Council) is responsible for storm water
- Auckland Council is responsible for parks and other community facilities

When planning the LSPs, Kāinga Ora has worked closely with each asset owner to ensure that any new infrastructure that needs to be delivered will integrate into the existing network, align with existing capital asset management plans for upgrades and growth, and meet design requirements. The infrastructure delivered through the LSPs will eventually be handed to the relevant asset owner to maintain and operate so it is important that the agencies work closely together.

The cost of delivering the infrastructure associated with urban development is usually shared between the Council and the developer. The Council has informed Kāinga Ora and HUD that it cannot afford its share of the infrastructure costs in the time period that Kāinga Ora requires the development and therefore the Crown is co-investing in the infrastructure and unique funding and oversight arrangements are in place for the LSPs. These arrangements are being developed by HUD and Auckland Council and further information is contained in the Management Case.

### 1.2.3 Māori

The Kāinga Ora – Homes and Communities Act 2019 provides in Section 4 that Kāinga Ora must maintain systems and processes to ensure that, for the purposes of carrying out its urban development functions, Kāinga Ora has the capability and capacity to uphold the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles, to understand and apply Te Ture Whenua Māori Act 1993, and to engage with Māori and to understand Māori perspectives.

To enable this, the operating principles of Kāinga Ora include:

- Identifying and protecting Māori interests in land, and recognising and providing for the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu, and other taonga;
- Partnering and having early and meaningful engagement with Māori and offering Māori opportunities to participate in urban development

Outside our legislative obligations, Kāinga Ora understands the strategic role that Māori play in urban development and engages with Māori governance, executive management, and kaitiaki on that basis with a lens that Te Tiriti o Waitangi envisaged.

Kāinga Ora is currently engaging with Māori in four ways through the LSP development process and continues to look for opportunities to grow the partnership:

- Engaging with Māori governance/leadership to understand aspirations and incorporate these into the LSP programme
- Including mana whenua kaitiaki in the planning, design, and consenting process to ensure the protection of taonga Māori
- Engaging Māori to bring cultural features and narratives into the design of buildings and places
- Creating opportunities for Māori enterprises to be involved in the delivery of the LSPs.

Kāinga Ora has committed to a better form of partnership with mana whenua when it comes to stormwater management within Mt Roskill. We have partnered early and brought nominated representatives from the wider collective into the project team. The vision statement for the Te Auaunga Stormwater Management Plan is below;

“Amid all the change occurring on the Auckland isthmus to support growth, Te Auaunga is constant – an environmental and cultural back bone stretching between the Manukau and Waitemata Harbours. As a key driver of change on the isthmus, Kāinga Ora will work in partnership to advance the restoration of the mana and the mauri of Te Auaunga and support collective kaitiakitanga. Our approach is holistic, collaborative and outcomes focused. It is a framework that values the significance of land, air, and water, and personalizes the identity of the awa to ensure it’s clean, nourishing, revered and connected. “

Mana whenua project representatives have contributed meaningfully to the Te Auaunga Stormwater Plan, which has included proposing project selection criteria relating to cultural weighting and allowing space for Take Mauri Take Hono. This work has been done in collaboration with Auckland Transport, Healthy Waters, Piritahi, Kāinga Ora, and a range of other consultants, and aims to take a more strategic and measured approach to stormwater management.

A Storm Water Management Plan for Waikōwhai has been worked up in partnership with mana whenua, choosing the preferred options for the neighbourhood collaboratively and ensuring this is in line with the wider Oakley work. Molley Green Reserve and Albrecht Basin form a key part of the neighbourhood Stormwater solution, with mana whenua a part of the design working group alongside Healthy Waters, Auckland Transport, Kāinga Ora, Piritahi, Community Facilities and Parks.

Capacity and capability building for Māori is a key focus as both human and enterprise resources are procured throughout the delivery of the LSPs. The inclusion of early and meaningful engagement with mana whenua in relation to the development also recognises the value of Māori input through contracts for service as part of our internal processes. Engaging Māori experts in the areas of planning, design, cultural induction and monitoring, and risk management to complement planning and delivery teams embeds Te Ao Māori into our urban development programme.

Kāinga Ora has been engaging with mana whenua to provide inputs into our development partners dwelling design, prior to the design being approved by the Design Review Panel (DRP) and finalised for Resource Consent lodgement. The initiative has worked well and received positive feedbacks from mana whenua. Currently Te Kurutao and Urban Design teams are looking at procuring a mana whenua consultant to be part of the DRP to provide guidance to developers on Tikanga Maori Design Principles.

Kāinga Ora is partnering with Ngāti Whatua Orakei to design and deliver a greenway artwork project. The partnership invitation was sent out exclusively to the mana whenua of Tāmaki Makaurau, and Ngāti Whatua Orakei responded and accepted the invitation.

Investment opportunities through superlot sales are another avenue for Māori opportunity and the LSPs have contracted Māori entities directly or within partnered arrangements with contracted build partners. These engagements are usually with the governance or commercial divisions of Iwi partners and we are seeing growing interest in this space. Kāinga Ora has recently seen significant development projects eventuate with Māori investment and ownership, such as build-to-rent opportunities which subsequently are managed to provide housing opportunities for Māori. In Roskill South, an iwi development partner has purchased five superlots to deliver around 80 new homes and is in negotiations to purchase more sites in a recent land release.

### 1.2.1 Community Engagement

The objectives of stakeholder and community engagement in the LSPs are to:

- Inform the neighbourhood business cases and development plans.
- Effectively communicate the precinct vision.
- Enable Kāinga Ora’s social licence to operate in the community, building champions.
- Provide opportunities for stakeholder and community influence and collaboration.

- Keep residents well informed, manage relationships and respond to issues accordingly.
- Mitigate an information gap or misinformation that has an adverse impact on the project.
- Create the environment for successful urban regeneration and commercial outcomes.

### 1.2.1.1 Neighbourhood Approach

A neighbourhood approach has been developed and implemented to maximise the ability to advance the project's communications, engagement, placemaking and community development goals. The key components of the neighbourhood approach are shown in Figure 1 below.



**Figure 1 The key components of the neighbourhood approach.**

Besides individual residents, there are several institutions, organisations and groups within these communities who hold a high degree of influence and interest in the programme. Alongside resident-based communications/engagement to strengthen Kāinga Ora's social licence, key community stakeholders are also critical to this equation. This includes schools, churches, community organisations, local businesses, special interest groups; as well as government representatives like the Local Boards.

### 1.2.1.2 Engagement Activities

The stakeholder and community engagement activities held regularly are:

- Mana whenua and Mataawaka engagement
- Regular community 'listening sessions' and 'coffee chats' in accessible locations such as local schools and community centres
- Bi-monthly key stakeholder meetings and stakeholder reference groups
- Information days, whanau fun days, and information stalls at local events
- Public meetings with ministers and local elected members
- Regular engagement with over 15 local schools, Boards of Trustees, and the Ministry of Education
- Letter and fact sheet drops, quarterly newsletters, website and social media updates
- Onsite Information Centres, and a temporary Community Hub in Ōwairaka
- Targeted engagement campaigns focussed on specific proposals and/or opportunities such as the Waikōwhai Plan Change, Stormwater Management Plan, Greenways, and reserve upgrades
- Regular meetings with Local Boards, Electorate Offices and Members of Parliament
- Targeted workshops with representatives of diverse populations within the neighbourhoods i.e. Pasifika, young people, business, and ethnic communities

- Integrated approaches to public engagement campaigns undertaken by partner agencies i.e. Roskill Area Plan, Healthy Puketāpapa Action Plan, Auckland Light Rail, and Local Board Plans 2020

### 1.2.1.3 Feedback and key insights

Through the regular engagement activities, the following feedback has been received:

- General acceptance and support for increased housing and warm, dry healthy homes
- Concerns surrounding car parking and traffic due to increased density
- Concerns around loss of green space and play spaces due to intensification
- Concerns that higher density and apartment style housing won't cater for intergenerational living
- Concerns around gentrification, affordability and perception that locals may be moved
- Desire for improved public transport options to support existing and new populations
- Desire for better walking and cycling connectivity within the neighbourhoods (to maunga, reserves, schools, etc.)
- Opportunities to upgrade links between shared public spaces to make healthier connections – socially, culturally, and environmentally
- Sustainable development that promotes a liveable community
- Desire for investment that strengthens business and retail – local jobs for local people
- Day to day bumping spaces and localised community hubs to support whānau and community connections
- Call for deeper cultural understanding of the places we operate in
- Concerns around potential for loss of urban Ngāhere and tree canopy
- Desire for Kāinga Ora to work with community organisations, groups, and other agencies to support social cohesion, welcoming neighbourhoods, and making connections
- Youth friendly places and spaces, activities for young people, including education, employment, digital access, and learning

## 1.3 Large Scale Projects (LSPs)

The LSPs are a 20-year portfolio of land development and infrastructure activities that will enable development of new homes to meet critical and growing housing shortages. The LSPs will prepare large tranches of land so that new housing can be built that is healthy, increases housing supply across tenure, better utilises land holdings (to enable a larger number of families to be housed), and in locations that have significant housing demand.

This will be achieved by utilising large urban areas with old state housing stock and aggregating these areas into masterplanned precincts. Each precinct is made up of several neighbourhoods that have been masterplanned to enable thriving communities with appropriate amenities, transport connections and the necessary water and stormwater provision. Existing properties will be removed, and the land will be remediated and upgraded with appropriate infrastructure to support a greater number of homes.

The homes that the land unlocks are deliberately targeted at providing a mix of public, affordable, and market housing with:

- a significant portion of land being retained by Kāinga Ora to develop public housing; and
- the remainder of the land being marketed and sold in superlots to developers to deliver homes. Superlots will typically have encumbrances to ensure the LSP objectives are met

In carrying out LSPs, Kāinga Ora takes whole-of-community approach by addressing environmental issues, re-igniting cultural belonging, and improving social and wellbeing outcomes.

To address and take advantage of the scale of land development, Kāinga Ora formed the Piritahi Alliance (Piritahi) as the design and delivery partner for civil works. The Piritahi scope includes old house removal, decontamination of land, and the design, consenting and construction of the new transport and three waters infrastructure. Aggregating the LSP infrastructure work into one alliance gives advantages such as procurement leverage and consistency of design and construction across the whole of the LSPs.

Additional background on the LSPs and the commitments to date is set out in Appendix B.

### 1.3.1 The need for additional funding

The LSPs were committed on an assumption that the net proceeds of land sales produced a self-funding model (considering initial land value, development cost, operating expense, and subsequent land sales).

The assumptions that informed the original LSP business cases have now been tested in projects and significant funding shortfalls have been identified. For the six LSPs, these shortfalls are estimated to be around \$4.5 billion (unescalated) over 20 years and \$2.3 billion for works commencing in the next five years. Kāinga Ora estimates that approximately \$1.3 billion of these costs would normally sit with local authorities and \$1 billion that would normally sit with Kāinga Ora (excluding capitalised overhead).

The shortfalls in funding are primarily driven by systemic issues facing each LSP, including:

- **Legacy infrastructure and land remediation issues:** following technical assessments, significant additional infrastructure costs were uncovered for all LSPs. This is discussed further in section 1.5.4.
- **Reduction in revenue:** Kāinga Ora is mandated to deliver non-financial social, cultural, and environmental outcomes, such as meeting higher Homestar requirements, minimising climate change impacts, and supporting affordable housing. Encumbrances on the land for developers to fulfil these outcomes, together with a change of scope to include affordable housing in the developments, result in a reduction of land value and therefore revenue.
- **LSPs have evolved over time:** the LSPs represent the first large-scale brownfield redevelopments in New Zealand. Over time, experience in planning and developing the LSPs has enabled more accurate costing (rather than relying on the more limited understanding of development costs and scope at the time).

### 1.3.2 The shortfall in funding cannot be met by Auckland Council

For the following reasons, it is beyond the Council's ability to finance the funding shortfall in the short-medium term:

- **Limited capacity:** While Auckland Council's Long Term Plan allocates approximately \$730m to the Auckland LSPs, the majority of the funding is earmarked beyond 2026 (2). There is limited funding or financing capacity to make further upfront investment.
- **Unexpected costs:** over recent years, unforeseen costs have placed larger financial pressure on the Auckland Council, including that (i) the impacts of the 2020-2021 drought faced by Auckland required new unplanned water supply expenditure, (ii) Council revenue was approximately \$190 million less than previously budgeted due to severe impacts from COVID-19 (3) (4), and (iii) lockdown restrictions from August 2021 will constrain Auckland Council's revenue streams further, with the effects not yet known.

### 1.3.3 The shortfall in funding cannot be met by Kāinga Ora

Like Auckland Council, Kāinga Ora is unable to meet the shortfall in funding. This is primarily due to the following factors:

- **Debt servicing:** Revenue from the sale of super lots would be insufficient to cover additional financing costs and debt repayment if the initial investment is financed privately.
- **Funding tools unsuitable:** The new funding tools in the Infrastructure Funding and Financing Act 2020 and the Specified Development Projects within the Urban Development Act 2020 provide Kāinga Ora the ability to

fund projects through increased levies and rates. As LSPs primarily occur in lower income areas, an increase in rates or levies may be unachievable and detract from Kāinga Ora’s non-financial outcomes of providing accessible housing.

- **Lack of separate revenue stream:** Kāinga Ora is undertaking its new urban development functions through the Large-Scale Projects (and as mandated through its legislation) but does not have a separate revenue stream to support this function.

## 1.4 Scope

In the context of the HAF funding and Government’s priorities for urban development in Auckland, this business case now considers the optimal approach to delivering the Roskill and Oranga precincts. The scope of the business case is set out below.

### 1.4.1 Number of neighbourhoods and stages in scope

This business case explores the optimal usage of HAF funding for the period that HAF funding is available. This means that only neighbourhoods that have development activity commencing over the next five years are considered within this business case.

#### 1.4.1.1 Roskill

For the purposes of the Roskill LSP, the precinct is divided into sixteen neighbourhoods, with this precinct business case seeking funding for four of the neighbourhoods: Roskill South, Ōwairaka, Waikōwhai, and Wesley West (shown in Figure 2).

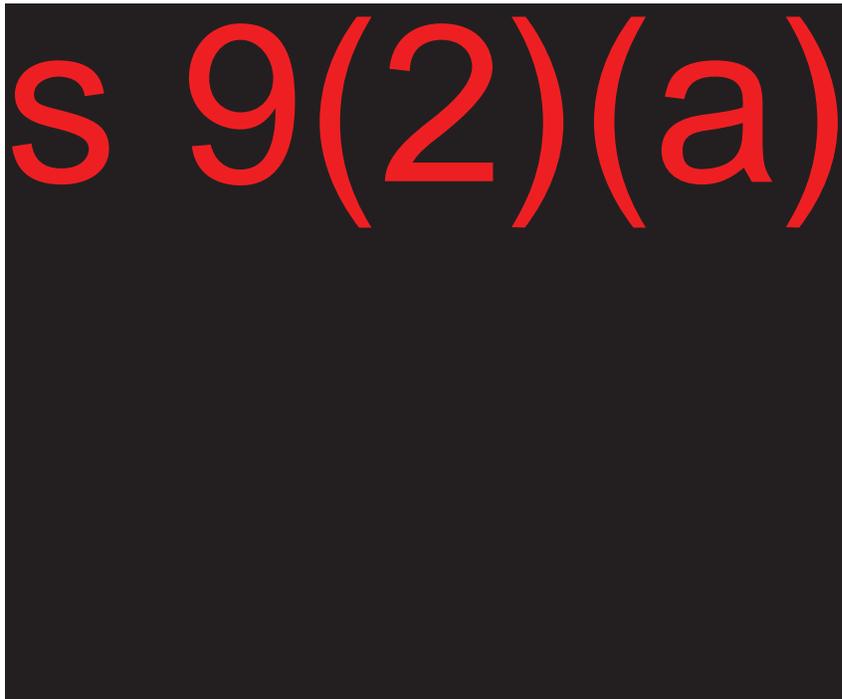


Figure 2 Roskill LSP geographical area.

#### 1.4.1.2 Oranga

The Oranga precinct has one neighbourhood that is being delivered in seven stages. Its programme business case was approved by the HNZA Board in March 2018 and additional approvals were granted for the funding of Stages 1-4 and portions of headworks. The revised business case was originally programmed for approval in 2020, however the long-

term LSP funding activity took precedence delaying its completion and presentation. This business case now considers stages 5-7 of the Oranga development to bring the land development activities to a conclusion.

#### 1.4.2 Timeframe and activities of the investment

This business case seeks funding for the four in-scope Roskill neighbourhoods and the Oranga precinct in relation to:

- actual expenditure prior to 30 June 2021; and
- forecast expenditure from 2021/22 to 2032/33 to conclude the relevant neighbourhoods.

The funding sought by this business case will enable land development and infrastructure activities including, but not limited to:

- Planning, design and consenting
- Identification of Māori priorities and aspirations within the LSP
- Community engagement
- Removal and remediation
- Land acquisitions, where required
- Delivery of infrastructure and amenities, including parks, transport, water, and stormwater
- Marketing and selling of superlots
- Project management and overhead
- Funding to cover lost rental income from removed public houses to support redevelopment

The LSP investment is for land enablement only and does not cover the cost of constructing the homes. Kāinga Ora is funded separately for state home construction.

#### 1.4.3 Options considered

##### 1.4.3.1 Roskill

This business case will test whether public value is optimised through the consideration of density, tenure mix and pace of the LSP.

This business case will not re-visit options already discounted through earlier approval processes, such as the options considered in previous business cases or ahead of the initial HAF decisions in 2021 (see Appendix B for further details).

##### 1.4.3.2 Oranga

No further density and typology changes have been proposed nor modelled for Oranga because the project is already well advanced. Stages 1-4 construction and infrastructure upgrades are all underway. All land development resource consents, masterplanning and infrastructure design have also been completed and agreed with CCOs in 2019/2020.

#### 1.4.4 Specific neighbourhood and infrastructure decisions

Specific activities and value for money considerations at a neighbourhood level for Roskill are outside the scope of this precinct business case. However, Kāinga Ora will later develop additional project business cases to seek funding within the overall funding envelope approved for this precinct business case. Details of the two types of project business cases are below:

- **Neighbourhood business cases:** will cover the majority of the land development activity, including all neighbourhood-level infrastructure; and
- **Infrastructure business cases:** will cover specific precinct-level infrastructure projects that may service multiple neighbourhoods and/or be located outside the precinct but are required to enable sufficient capacity within the precinct.

### 1.4.5 Wider programme considerations

Combined, the Roskill LSP and the Oranga LSP are a 20 year programme, with this investment being only the first stage. To ensure the continuity of the LSP, subsequent funding or scope evaluation will be required to:

- maintain the scale and pace of delivery for ongoing works in neighbourhoods commencing prior to 30 June 2025; and
- in the case of Roskill, initiate works in neighbourhoods commencing after 30 June 2025.

Funding certainty for these future neighbourhood projects will need to be obtained ahead of these project works. This would likely be in the form of further Cabinet approvals.

While the scope of this business case is limited to only five neighbourhoods over a limited time period, the benefits arising from it are significant. The activities funded by this business case create the necessary foundations that other neighbourhoods will build on over the next 20+ years and are crucial to the overall success of the Roskill and Oranga LSPs.

Figure 3 shows the portion of the Roskill 20 year approval development plan that is progressed as part of this approval. The Oranga precinct will be seen to conclusion as a result of this approval.

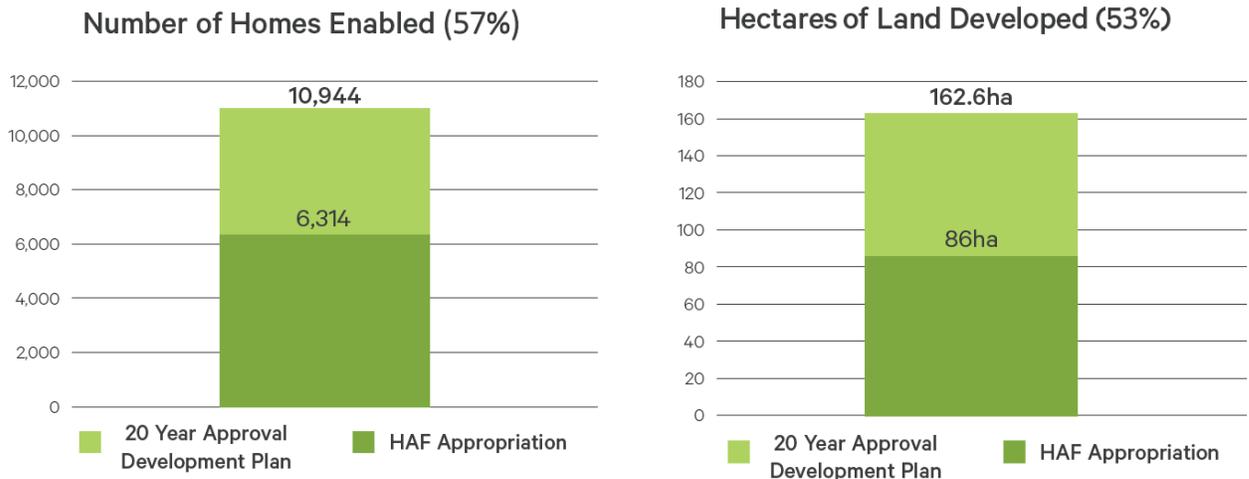


Figure 3 Number of homes enabled and m<sup>2</sup> of land developed as part of this approval as it relates to the whole of life (20 year) programme.

## Part B: The case for change

This part will first identify the housing problems that exist within the Auckland region and, more specifically, the Roskill and Oranga precincts. This part will then set out the opportunities raised by LSPs, including how LSPs are an effective way to ease housing problems and align to the established strategies and policies for urban development.

### 1.5 Regional Context

#### 1.5.1 Introduction

New Zealand is currently facing a housing shortage, with an insufficient number of houses being built to meet the demand from strong population growth. This has led to escalating house prices and unaffordable rental rates. Of the houses that are available, a large number are ageing, are poor quality and/or do not meet the needs of the occupants. In addition, Auckland currently faces a number of factors which limit the ability to increase the supply and improve the quality of the housing stock, including:

- existing infrastructure is ageing and unable to support substantial growth; and
- there is insufficient land to increase the supply of housing within central areas.

Overall, this results in challenges for people, particularly low income households, to access affordable, high-quality and stable housing.

This section explores these problems in the context of the wider Auckland region. The following section then provides more detail in the context of the specific Roskill and Oranga precincts.

#### 1.5.2 Increased housing supply is required to ease housing costs pressure

Auckland is currently facing strong population growth, with the number of houses built being unable to keep up with demand. This has resulted in an Auckland wide housing shortage.

The shortage in housing supply has contributed to growing house prices, with median house prices rising five-fold over the last 20 years (see Figure 4).



**Figure 4 Median House Sale Price Auckland (10).**

The increase in house prices has outstripped the increases wages over the past five years, with the median house sales price across Auckland being approximately 11.25 times the median household income in September 2021 (up from 8.76 in September 2019) (5).

As a consequence, average homeownership households in Auckland are now spending over 50% of their income on mortgages, which places Auckland within the most unaffordable regions in New Zealand (see figure 5 below).

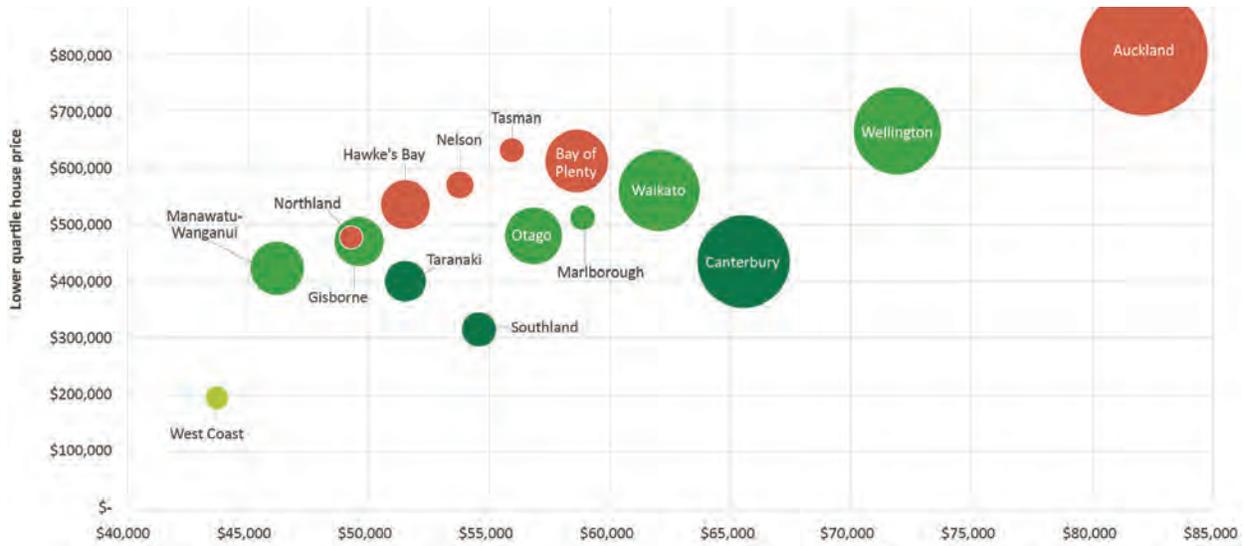


Figure 5 Proportion of gross income spent on mortgage repayments (9).

The unaffordability challenge becomes more acute for households unable or unwilling to buy a house. Across Auckland, rental rates have grown steadily over the last 20 years, with a 5% growth in the last 12 months alone (see figure 6).

This increase in rent creates additional barriers to home ownership, with renting households in New Zealand earning less income on average compared to home owning households and spending a higher proportion of their income on housing costs.

As a result, this cohort may always find it difficult to provide upfront capital or service a mortgage without significant changes in employment and/or housing markets.



Figure 6 Median Rent Price Auckland (28).

1.5.3 Without an increase in supply, the demand for public and affordable housing continues to grow.

The pressure on housing affordability in Auckland has increased the demand for public housing. The lack of additional supply to meet this demand has resulted in a growing waitlist for public housing, which is recorded through the following two registers:

- **Ministry of Social Development (MSD) Housing Register:** includes applicants not currently in public housing who have been assessed as eligible and who are ready to be matched to a suitable property; and
- **MSD Transfer Register:** includes applicants already in public housing who need to be rehoused for reasons such as there being too few or too many bedrooms in their current public house, or for health reasons.

Despite the 29,507 Kāinga Ora homes in Auckland, demand pressures remain high with 8,385 applications on the Housing Register and a further 2,169 on the Transfer Register as at June 2021 (6) (7). This demand has been subject to

a consistent rapid increase since 2016 (see Figure 7), with a 396% increase in the Housing Register and a 311% increase in the Transfer Register over the last five years. The issue is felt not only by those on the register but also those looking for an affordable property to rent or purchase. Due to the lack of financial incentives in providing affordable housing, there are currently few developers catering for this market resulting in significant unmet demand.



Figure 7 Auckland Housing and Transfer Registers over the last 5 years (7).

**1.5.4 Despite Government’s priority to increase housing supply, there are significant challenges preventing the construction of new homes.**

As identified in section 1.1, the Government has established policies and documents that actively promote the increased supply of housing across New Zealand and which would help to ease the problems identified above. However, three primary factors are currently preventing this being achieved across the Auckland region without significant intervention through LSPs. These are discussed below:

**1.5.4.1 Shortage of greenfield land makes it challenging to create new housing supply**

Across Auckland, Crown land is already being used for older state housing solutions, with little other available land for greenfield development in central locations. To develop greenfield land further out of the Auckland region it would likely involve uplifting current occupants away from established jobs and communities, which would not recognise the dignity, and independence and overall wellbeing of existing residents. This would expressly contradict the desired policy outcomes set out in the GPS-HUD to provide stable housing and to support connections with residents’ employment, education, social and cultural opportunities.

**1.5.4.2 Existing infrastructure in brownfield areas is unable to support substantial growth**

Local authorities are required to provide sufficient development capacity to meet expected demand for housing through development opportunities which are plan-enabled and infrastructure-ready (8). However, across the Auckland area there has been significant under investment in asset renewal and maintenance and little investment in growth to support the Unitary Plan provisions.

The existing infrastructure in urban, brownfield sites is therefore ageing and at capacity, and is not able to support increases in housing numbers (through both Kāinga Ora and non-Kāinga Ora developments). To realise the potential of this centrally located brownfield land, significant investment in all forms of horizontal infrastructure is required.

The tools necessary to undertake such investment have been recently provided – such as the NPS-UD directing the urban area of Auckland to be “upzoned” to allow for more upwards and higher density growth (see section 1.1 for further detail). However, the scale of the investment requires extensive collaboration with multiple agencies and stakeholders and significant financial backing. Prior to the establishment of LSPs, this had not been possible.

**1.5.4.3 Substantial investment is required to improve the quality of the existing housing stock**

From 1 July 2023, Kāinga Ora’s housing portfolio must comply with the standards under the Healthy Homes Guarantee Act 2017. This Act sets the minimum requirements relating to heating, insulation, moisture, drainage, and other measures.

The majority of houses in Kāinga Ora’s housing portfolio were built before 1986 and require substantial replacement, renewal, or major investment to improve their warmth and dryness to meet the Healthy Homes Standards. The cost of these renovations is significant, detracts from the funding available for the construction of new houses and can be avoided by a programme that removes and replaces the existing housing.

Even if the quality of existing houses adequately met the health needs of residents, Kāinga Ora’s existing houses do not appropriately reflect demand with the typology and configuration not being well matched to tenants’ needs. Across New Zealand, Auckland has the highest level of mismatched homes to tenant requirements with:

- 26% of Kāinga Ora homes in Auckland having too few bedrooms to accommodate housing occupants; and
- 30% of Kāinga Ora homes in Auckland having too many rooms for the current occupants.

Failure to house tenants in suitable accommodation for their needs detracts from the wellbeing objectives of the GPS-HUD and Living Standards Framework where the quality, accessibility, size, and features of homes is required to be sufficient to support people and families to live healthy, successful lives.

Without an urgent and comprehensive overhaul of the existing housing supply, these issues are likely to persist and worsen over time.

**1.6 Local Context – Roskill**

**1.6.1 Roskill Precinct Overview**

The Roskill precinct, also known as Roskill Development, is 6.5 kilometres from Auckland CBD and is also relatively close to Auckland Airport, a key employment hub. A summary of the approvals and development progress to date is set out in Appendix C.



**Figure 8 Location of Roskill Precinct.**

1.6.2 Challenges in Roskill

Sitting within the wider Auckland region, Roskill faces the same housing issues as identified in section 0. However, a number of unique features necessitate urgent investment in the Roskill precinct to address issues for residents and capitalise on opportunities.

1.6.2.1 The effects of the housing shortage are more severe for Roskill residents due to high levels of socioeconomic deprivation.

Mt Roskill is home to a large number of low-income earners and has multiple areas with a primary socioeconomic deprivation rating of 10 (the highest level of deprivation possible) (9). In general, people who live in more deprived areas are more susceptible to environmental risks. They may also have less capacity to cope with the effects of environmental risks, and fewer resources to protect themselves from environmental hazards.

All of these issues conflict with the direction set by Government through the GPS-HUD, NPS-UD, Living Standards Framework and other policies to uplift the overall wellbeing of residents through a focus on housing that creates sustainable, inclusive, and thriving communities.

Addressing these problems requires a whole community approach that increases the supply of public and affordable housing while promoting individual and collective wellbeing from the ground up. However, with few private developers catering for public or affordable housing, the onus rests on the public sector and can only be achieved through a large scale initiative with significant financial backing that coordinates with other agencies, stakeholders, and asset owners.

These risks are discussed below in the context of the Roskill housing supply.

**Inability to afford good quality housing**

Like Auckland, house prices for the Roskill precinct have continued to rise over the last 20 years, with a large (22%) increase recorded in the 12 months preceding August 2021.



Figure 9 Roskill Median Sale Price (10).

The increase in house prices has outstripped wider Auckland Region as at August 2021 (\$1,205,000 in Roskill compared to \$1,080,00 in the Auckland Region). This issue is made more acute by the comparably low levels of income received by Roskill residents (\$56,000 compared the Auckland median of \$76,500 (11)) and the wide socioeconomic deprivation in the area. As a result, housing unaffordability has become a critical issue in the precinct with home ownership out of reach for a large percentage of the population.

**Higher levels of physical hazards**

Of the ~2000 houses owned by Kāinga Ora in the Roskill precinct, the majority are no longer fit for purpose, with significant investment required to meet minimum health standards.

Due to the poor condition, houses are often cold, damp and difficult to heat. This issue is made worse by the low socioeconomic status of the Roskill community, who may not be able to afford the insulation, heating or clothing necessary to keep warm.

This can lead to health risks, such as respiratory issues from mould or prolonged exposure to the cold.

#### ***Higher levels of environmental hazards***

A number of homes in Roskill were built with materials that have caused land contamination issues. This results in harmful impacts both for the natural environment and on the health of residents who are exposed to the contamination on a daily basis.

#### ***Higher levels of environmental stress***

Typology and configuration of houses is not well matched to tenant's needs, both current and future. This can result in overcrowding and puts residents at a higher risk of psycho-social health problems.

In addition, people experiencing financial hardship or living in more highly deprived areas (such as Roskill) are more likely to be a victim of crime (12). Like overcrowding, the lack of security and fear of crime can result in poorer mental health outcomes.

#### **1.6.2.2 Current infrastructure is insufficient to meet future growth**

Between 2016 and 2020, Kāinga Ora (and its predecessors HLC and HNZC) commissioned detailed technical due diligence of the condition and adequacy of the infrastructure network within the precinct development areas. This included in-ground expert study and investigation of utility networks of:

- Stormwater
- Wastewater
- Water supply
- Power supply
- Roading and transport

The findings of these studies have been incorporated into Infrastructure Master Plans commissioned by Beca, peer reviewed by Aurecon and refined by Piritahi in collaboration with Council and the CCOs.

The current-state evaluation was prepared for each network or discipline, working closely with respective regulatory agencies and utility companies: Auckland Transport, Auckland Council, Watercare Services Limited, Vector and Chorus. The intensified future state based on the density envisioned in the Auckland Unitary Plan was then considered to define where the existing infrastructure presents a constraint.

Planned capital works (including proposed light rail from Auckland CBD to Mangere) were also considered.

These studies identified the following infrastructure constraints in the Roskill precinct which are insufficient to meet future housing growth (9):

- There are issues with the quality of the stormwater and wastewater networks reaching capacity. In severe rain events, the combined system discharges via overland flow, resulting in untreated water entering the two harbours which board the isthmus. These events contribute to poor water quality, public health issues and result in environmental damage (11).
- The existing combined sewer networks are also reaching capacity as the system is not able to take on increases in either wastewater flows or stormwater runoff. It is worth noting the Central Inceptor Wastewater Tunnel Project will alleviate the issue to some degree, however network upgrades would still be necessary to support intensification as per the Unitary Plan (13).

- Geotechnical and land contamination issues resulting in poor ground conditions with areas of soft ground combined with steep slopes constrain development in terms of restricting the type of housing or creating additional costs (e.g. adapted foundation design, removal of waste material etc.) to development.
- Existing water pressure issues are not able to meet current demand.
- Insufficient capacity within the existing electrical high voltage network to cater for growth.
- Insufficient green space and ageing social infrastructure required to support thriving communities.
- Oakley Creek flooding and overland flows which would all require some form of upgrade to support full intensification in some neighbourhoods.

**1.6.2.3 There is critical demand for public housing**

The lower socioeconomic environment in Roskill, together with constraints limiting new housing supply, have resulted in demand for public housing in the Roskill precinct growing significantly over the last five years. In particular, the waitlist for the Housing Register (being approved applicants waiting to be matched to a suitable property) has increased by 247% since 2016, with 1104 applicants now requiring new public housing. Similarly, the waitlist for the Transfer Register (being existing public housing tenants that require rehousing) increasing by 267% since June 2016, with 363 applicants now requiring rehousing.



**Figure 10 Mt Roskill Housing and Transfer Registers over the last 5 years (7).**

While the increase in the Housing Register and Transfer Register is less with the Auckland region, the number of people on the waitlists remains significant compared to other suburbs (shown in Table 1). This demonstrates a critical need to increase both the number of houses (to meet demand for the Housing Register) but also the quality and appropriate mix of houses (to meet the demand on the Transfer Register).

**Table 1 MSD Roskill Waitlist (7).**

Waitlist	Auckland region	Roskill precinct
Housing Waitlist (June 2021)	8,385	1104
Housing Waitlist change since June 2016 (5 Years)	396%	247%
Transfer Register (June 2021)	2,169	363
Transfer Register change since June 2016 (5 Years)	311%	267%

## 1.7 Local context – Oranga

### 1.7.1 Oranga Precinct Overview

Oranga is a small residential suburb located 9 kilometres to the southeast of Auckland CBD and in a prime location in the Auckland Central area.

A summary of the approvals and development progress to date is set out in Appendix D.

### 1.7.2 Challenges in Oranga

Sitting within the wider Auckland region, Oranga faces the same housing issues as identified in section 0. This section considers the Oranga-specific factors which require immediate attention.

#### 1.7.2.1 The effects of the housing shortage are more severe for Oranga residents due to high levels of socioeconomic deprivation

Like Roskill, Oranga experiences high levels of socioeconomic deprivation, with the area being rated a 9 or 10 out of 10 on the deprivation scale (10 being the highest level of deprivation possible) (9). This gives rise to environmental risks and health concerns, which directly conflict with the direction set by Government through the GPS-HUD, NPS-UD, Living Standards Framework and other policies to enable housing that meets the overall health and wellbeing requirements of individuals and communities.

These problems are discussed in more detail in Table 2 below.

**Table 2 Exposure to risks caused by high levels of deprivation in Oranga.**

Risk	Details
Inability to afford good quality housing	The median household income in Oranga (\$67,000) is approximately \$10,000 less than the median Auckland income, highlighting an initial disparity in the neighbourhood for a city that is facing significantly challenges with housing affordability in general (14).
Higher levels of physical hazards	Oranga was originally created as a state housing neighbourhood based on a suburban cul-de-sac masterplan. Most of the homes were built in the 1940s with some additional developments in the 1980s, 1990s and 2000s. The ageing nature of the state housing exposes tenants to more health risks, such as respiratory issues caused by the cold or damp.
Higher levels of environmental hazards	The land in Oranga has contamination issues which results in harmful impacts for both the natural environment and on the health of residents who are exposed to the land on a daily basis.
Higher levels of environmental stress	Typology and configuration of houses is not well matched to tenants’ needs, with a high demand for multiple (2+) bedrooms which cannot currently be supplied. This increases the risk of overcrowding which can lead to psycho-social health problems.  The low socioeconomic environment within Oranga also contributes to mental health issues where residents may lack the sense of safety and stability necessary for a thriving community.

#### 1.7.2.2 Current infrastructure is insufficient to meet future growth

The technical due diligence carried out between 2016-20 (discussed in section 1.5.4.2) identified the following infrastructure constraints in the Oranga precinct which are insufficient to meet future housing growth (9):

- Existing local water network does not have capacity to support the proposed density in the Unitary Plan which is the basis of the Oranga masterplan density. The existing pipes are old and are near end of life, which means replacement is required regardless of density and new development.

- Existing wastewater network does not have the capacity to support the proposed density of the Unitary Plan including Oranga development.
- Insufficient capacity within the existing power and communication networks to cater for growth.
- Insufficient amenities, ageing retail support and underutilised community facilities required to support growth and a thriving community.
- Geotechnical and poor ground conditions with majority of areas having solid basalt rock restraining the type of housing or creating additional costs both on land and house developments.

### 1.7.2.3 Demand for public housing is greater than the Auckland region

Being a low socioeconomic area, Oranga has a high demand for public housing with the precinct currently being home to approximately 1,200 Kāinga Ora tenants and their families occupying a total of 413 Kāinga Ora homes. Similar to the overall trends for Auckland, the lack of new supply has caused demand to grow significantly over time.

## 1.8 Problem statements

Informed by the Auckland-wide issues identified in section 1.5 and the precinct-specific challenges in section 1.6 and 1.7, four problem statements have been identified. These apply equally to the Roskill and Oranga precincts.

- Housing demand is increasing faster than housing supply, causing homes to become increasingly unaffordable and substantially increasing the public housing waitlist.
- Ageing horizontal infrastructure will have high upcoming maintenance costs, is insufficient for growth, and is not optimising environmental outcomes.
- The majority of the existing stock does not comply with Healthy Homes Standards or typology requirements, which does not support provision of appropriate and safe housing for Kāinga Ora tenants.
- Roskill and Oranga are both communities with diverse needs across all areas of wellbeing. They are high deprivation areas and home to a large number of low-income earners. This means they require solutions tailored to each community's needs.

These problem statements are not exhaustive but represent the key motivations for this business case. Problem statements will be used in the development and framing of the programme Investment Objectives (discussed in section 1.11.2).

## 1.9 Opportunity to address problems

The following section provides an overview of the key opportunities created by LSPs to address the housing issues and community needs identified by the problem statements in section 1.8. The strategies and policies outlined in section 1.1 are also considered to ensure the strategic alignment of the proposed investment in Roskill and Oranga precincts.

Table 3 Opportunities presented by LSPs to address housing issues.

Problem	Opportunity	Alignment to strategies and policies
<p>Housing demand is increasing faster than housing supply, causing homes to become increasingly unaffordable and substantially increasing the public housing waitlist.</p>	<p>Kāinga Ora holds large areas of strategically located land across both Roskill and Oranga. More specifically:</p> <ul style="list-style-type: none"> <li>— <b>Roskill:</b> 162 hectares is occupied by approximately 3,000 Kāinga Ora homes.</li> <li>— <b>Oranga:</b> 20 hectares is occupied by approximately 413 state houses<sup>1</sup>.</li> </ul> <p>In a region where greenfield land is scarce, this existing land stocks present a significant opportunity to intensify the dwellings within central areas to support a greater number of houses that better meets demand, including for state housing.</p> <p>Overseas studies have shown that renting in high-density environments is more affordable than medium-low density developments due to the smaller lot sizes (17). In the context of Roskill and Oranga, this is particularly beneficial where many households currently struggle to afford the escalating cost of living.</p>	<p>Enabled by:</p> <ul style="list-style-type: none"> <li>— NPS-UD: direction for up-zoning.</li> </ul> <p>Aligned with:</p> <ul style="list-style-type: none"> <li>— GPS-HUD: Wellbeing through housing</li> <li>— Living Standards Framework: Individual and collective wellbeing</li> </ul>
<p>Ageing horizontal infrastructure will have high upcoming maintenance costs, is insufficient for growth, and is not optimising environmental outcomes.</p>	<p>Current condition of horizontal infrastructure in Roskill and Oranga is ageing and in need of significant investment to meet the needs of future growth.</p> <p>Instead of attempting to draw out the life of the existing depleted infrastructure, LSPs provide an opportunity to extensively redesign and redevelop land that will set the foundations for thriving communities, today in the future. This will reduce the ongoing maintenance costs</p> <p>This approach has the additional benefit of remediating contaminated land which has harmful impacts on the environment. Sustainable planning and construction methods can then be used to create infrastructure with less impact to the natural environment.</p> <p>In the case of Roskill and Oranga, masterplanning to maximise the accessibility to public transport, paths and cycleways will promote alternative forms of transport which have a lower carbon footprint compared with conventional road usage.</p>	<p>Aligned with:</p> <ul style="list-style-type: none"> <li>— GPS-HUD: Thriving and resilient communities</li> <li>— Living Standards Framework: The Wealth of Aotearoa New Zealand</li> </ul>

<sup>1</sup> The number of state homes prior to development. As development has started, this number will have changed as removals have occurred for land development to begin.

<p>The majority of the existing stock does not comply with Healthy Homes Standards or typology requirements, which does not support provision of appropriate and safe housing for Kāinga Ora tenants.</p>	<p>As noted in sections 1.6.2.1 and 1.7.2.1, the quality, size and typology of houses in Roskill and Oranga are insufficient to meet the needs of residents.</p> <p>LSPs enable a mix of public, affordable and market houses that reflect the needs of the particular precinct and neighbourhoods. In the case of Roskill and Oranga, this means that:</p> <ul style="list-style-type: none"> <li>— Precinct planning can enable and prioritise public and affordable housing to cater for the low socioeconomic environment and enable homeownership not otherwise available; and</li> <li>— The typology of new housing can reflect the specific needs of the community, for example by enabling housing with multiple (2+) bedrooms in the Oranga precinct.</li> </ul> <p>Similarly, by removing the existing ageing houses and enabling the development of new, high-quality homes, LSPs reduce the physical and mental health risks to residents.</p>	<p>Aligned with:</p> <ul style="list-style-type: none"> <li>— GPS-HUD: Wellbeing through housing</li> <li>— GPS-HUD: An adaptive and responsive system</li> <li>— Living Standards Framework: Individual and collective wellbeing</li> </ul>
<p>Roskill and Oranga are both communities with diverse needs across all areas of wellbeing. They are high deprivation areas with large numbers of low-income earners. This means they require solutions tailored to each community's needs.</p>	<p>Through Kāinga Ora's whole-community approach and good design, there is a unique opportunity to facilitate collaborative infrastructure planning that considers future growth needs and optimises land intensification, value, configuration and use around key transport nodes, amenities and open spaces.</p> <p>Enabling multi-unit sites with well-designed and well-located indoor and outdoor communal spaces allow residents to experience, share, and build collective social and cultural capital. They also complement and build on the amenities available in the public domain such as parks and community centres, providing additional gathering spaces to support community life.</p> <p>Within Roskill and Oranga specifically, the redevelopment and intensification opportunities created by LSPs will attract halo effects for the community by incentivising commercial businesses and investments. This enhances the economic growth of the region as well as employment, in turn leading to economies of scale and increased economic prosperity in the precincts.</p>	<p>Aligned with:</p> <ul style="list-style-type: none"> <li>— GPS-HUD: Thriving and resilient communities</li> <li>— Living Standards Framework – individual and collective wellbeing</li> <li>— Living Standards Framework: The Wealth of Aotearoa New Zealand</li> </ul>

### 1.10 Other opportunities

In addition to the opportunities specifically addressing the existing problems identified above, there are three wider opportunities presented by the LSP programme. These are discussed in Table 4 below.

Table 4 Other opportunities presented by LSPs.

Opportunity	Community needs	Alignment to strategies and policies
Cohesion	<p>A precinct wide approach to land development creates an opportunity to better align the priorities and strategies of councils and stakeholders. The delivery of an integrated project ensures the effort and cost are more efficient, and therefore the true maximum benefit will be realised.</p> <p>In the context of the Roskill and Oranga precincts where infrastructure investment is required at all levels, an integrated approach avoids the need for individual asset owners (e.g. transport, water, stormwater) to undertake separate planning and development processes which have the potential to be misaligned in timing and outcomes.</p>	GPS-HUD: An adaptive and responsive system
Scale	<p>The scale of the LSPs provide an opportunity to look at both hard infrastructure to enable homes, and community infrastructure to support families in areas which have traditionally seen under investment. These upgrades have wider benefits than just the Kāinga Ora land, such as enabling private market infill housing and creating positive flow-on effects to surrounding suburbs.</p>	GPS-HUD: Thriving and resilient communities
Māori partnership	<p>LSPs provide an opportunity to lead Kāinga Ora’s response to the requirements of our obligations to Māori as set out in the Kāinga Ora – Homes and Communities Act 2019. A co-ordinated precinct approach engages all mana whenua with interests in the area of development (in Tāmaki, up to 19 mana whenua iwi)</p> <p>The development timeline for the Roskill and Oranga precincts provide a true opportunity for Kāinga Ora and stakeholders to engage with Māori to develop the long-term productive partnerships which allow Kāinga Ora to learn, adapt and become more cohesive in our engagement with mana whenua. In the context of Roskill, Kāinga Ora has partnerships with Māori through the Te Auaunga Stormwater Management Plan. This has built capacity and capability within Kāinga Ora and the lessons learned can be applied and extended to a housing context.</p> <p>In addition, the interests of Māori will be reflected in the governance, procurement, commercial, cultural, economic, and environmental outcomes of the project.</p>	<p>GPS-HUD: Māori housing through partnership</p> <p>NPS-UD: Te Tiriti o Waitangi</p>

## Part C: Investment objectives, risks, constraints, and dependencies

### 1.11 Investment objectives, community needs and benefits

#### 1.11.1 Introduction

Investment benefits represent the tangible benefits that the programme will deliver if it meets the investment objectives and will be used to test the options presented in the Economic Case. The investment objectives are based off the existing arrangements and problems statements identified in sections 1.5 to 1.8, and informed by the opportunities identified in sections 1.9 and 1.10.

As outlined in section 1.4, no alternative options have been proposed or modelled for Oranga because the project is already well advanced. As such, the following section will only consider investment objectives and investment benefits in the context of the Roskill precinct.

Figure 11 illustrates the links between the identified problems, the investment objectives, and the investment benefits.

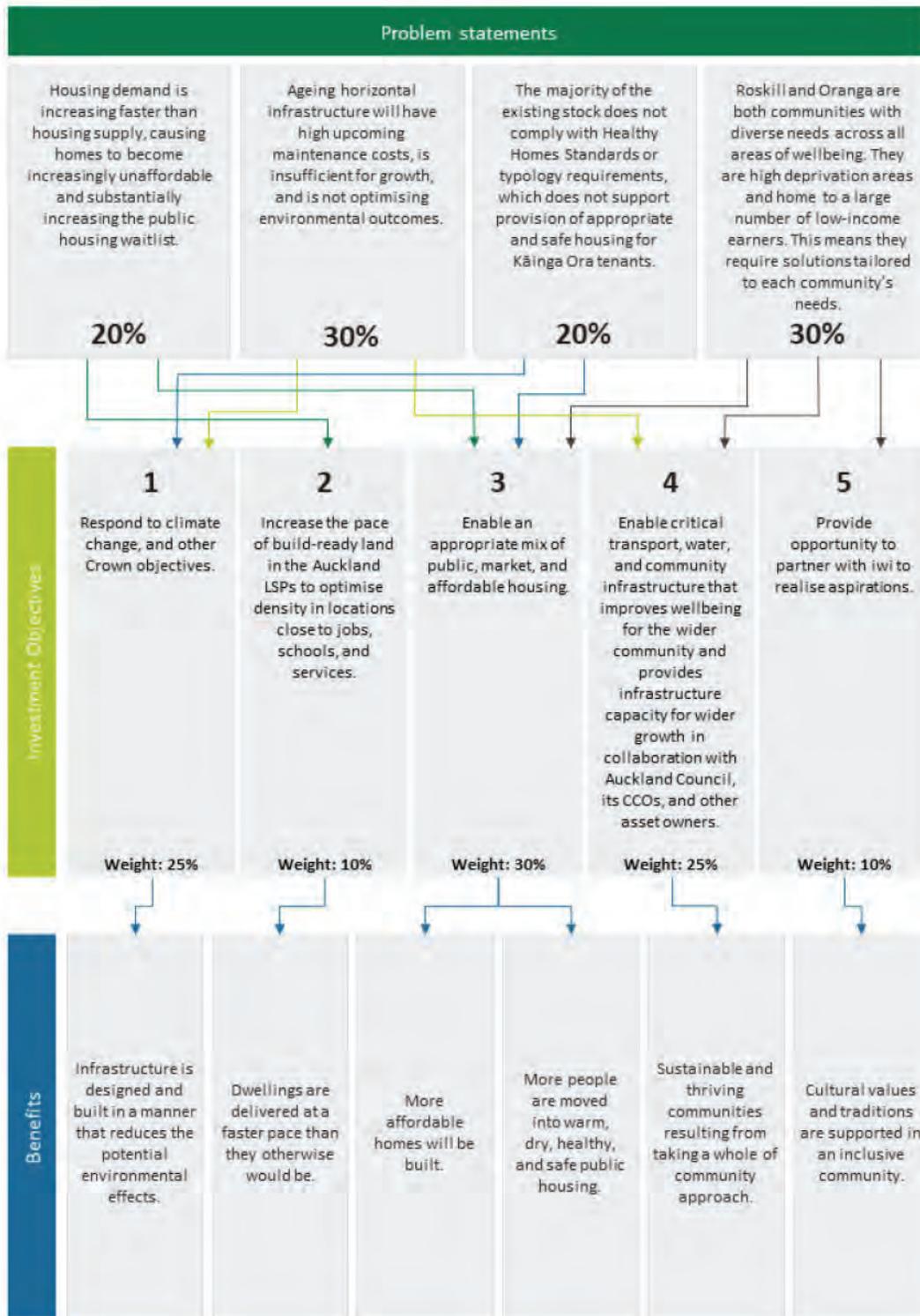


Figure 11 The Roskill and Oranga precincts problem statements linked to the investment objectives and benefits.

1.11.2 Investment objectives

Investment objectives were workshopped and agreed by HUD, Treasury and Kāinga Ora. Through this process, the following five investment objectives were identified:

1. Respond to climate change, and other Crown objectives.
2. Increase the pace of build-ready land in the Auckland LSPs to optimise density in locations close to jobs, schools, and services.
3. Enable an appropriate mix of public, market, and affordable housing.
4. Enable critical transport, water, and community infrastructure that improves wellbeing for the wider community and provides infrastructure capacity for wider growth in collaboration with Auckland Council, its CCOs, and other asset owners.
5. Provide opportunity to partner with iwi to realise aspirations.

The following table provides further information on the existing arrangements and the business needs for each of the investment objectives.

**Table 5 The investment objectives, existing arrangements, and business needs for the LSP portfolio.**

Investment Objective One	Respond to climate change, and other Crown objectives.
Existing Arrangements	<p>Existing housing and infrastructure do not currently align to Kāinga Ora or the wider Governments' policies and objectives as identified in section 1.1. In particular:</p> <ul style="list-style-type: none"> <li>— <b>Climate change:</b> Currently residential streets in Roskill are subject to environmental risks and hazards associated with climate change, and are not used to their full potential in delivering low-emission forms of transport (such as walking paths or public transport). Moreover, existing infrastructure and houses are ageing and built with materials that increase the risk of environmental contamination.</li> <li>— <b>Wellbeing:</b> The level of housing in Roskill does not currently meet the needs of residents. Houses are unaffordable for a large portion of the local population, making stable living arrangements difficult. Moreover, the quality, size, and features of houses do not appropriately support people and families to live healthy, successful lives with many people living in houses below modern health standards and with the wrong number of rooms to meet their needs.</li> </ul>
Business Needs	<p>To enable housing that aligns with Crown objectives, including:</p> <ul style="list-style-type: none"> <li>— Partnering with Māori;</li> <li>— minimising environmental impact;</li> <li>— improving the quality of housing to improve physical, mental, and social wellbeing; and</li> <li>— enabling affordable housing options.</li> </ul> <p>Given the multi-decade nature of LSPs, the programme must be flexible enough to move with any changes in policy direction. The horizontal and community infrastructure is designed to be resilient to future changes both in the policy environment as well as the environmental landscape.</p>

**Investment Objective Two**      Increase the pace of build-ready land in the Auckland LSPs to optimise density in locations close to jobs, schools, and services.

**Existing Arrangements**      While Crown-owned land in Roskill is well located and close to amenities, it is currently low to medium density housing and, in many cases, is not fit for purpose and requires renewal. The existing infrastructure on these sites is currently inadequate to support future growth.

Auckland Council and Kāinga Ora have both indicated that funding constraints limit their ability to move at pace in upgrading the existing infrastructure in Roskill. This creates a barrier to intensification and new housing supply on existing land.

There is limited 'empty' land in central locations, removing greenfield development as an option.

**Business Needs**      To provide the tools and backing to enable Kāinga Ora and its partners to move increase the pace of urban development to increase density and enable improved housing outcomes.

**Investment Objective Three**      Enable an appropriate mix of public, market, and affordable housing.

**Existing Arrangements**      There is a gap in the Auckland housing market where affordable housing is not serviced. Work by private developers is predominantly market housing, with not enough affordable housing available for purchase.

The lower socioeconomic environment in Roskill, together with constraints limiting new housing supply, have resulted in demand for public housing in the Roskill precinct growing significantly. Without intervention to create more public and affordable homes, the housing waitlist (and number of displaced residents) will continue to grow.

**Business Needs**      To enable housing where the quality, accessibility, size, and features of our homes support people and families to live healthy, successful lives.

In the case of Roskill, which has a large number of people living with deprivation and requiring housing assistance, public and affordable housing options are important to enable quality accommodation to residents who may not otherwise have access to it. Kāinga Ora can prioritise these outcomes and deliver a more diverse mix of housing compared to a traditional housing development.

**Investment Objective Four**      Enable critical transport, water, and community infrastructure that improves wellbeing for the wider community and provides infrastructure capacity for wider growth in collaboration with Auckland Council, its CCOs, and other asset owners.

**Existing Arrangements**      Technical due diligence of the current condition and adequacy of the infrastructure network has identified constraints on proposed intensification. The horizontal infrastructure is not sufficient for the proposed density in some areas, with parts of the network requiring significant upgrades.

**Business Needs**      The horizontal infrastructure needs to be upgraded to sufficiently provide for the land enabled by the LSPs, but also for the wider areas in the precinct. The infrastructure will only be enabled through effective collaboration with Auckland Council and the asset owners who will be responsible for the ongoing maintenance.

Investment Objective Five	Provide opportunity to partner with iwi to realise aspirations.
Existing Arrangements	<p>Kāinga Ora is mandated by the Kāinga Ora – Homes and Communities Act 2019 to consider and provide for Māori interests. Te Rautaki Māori o Kāinga Ora 2021–2026, the Māori Strategy for Kāinga Ora, and He Toa Takitini, the Partnership and Engagement Framework, are the first steps to Kāinga Ora’s approach for how best to meet the mandate.</p> <p>Wider Government policies also promote urban development in a way that takes into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi).</p>
Business Needs	<p>To ensure that Kāinga Ora has the capability and capacity when undertaking urban development to uphold the treaty and its principles, understand and apply Te Ture Whenua Māori Act 1993, and engage with Māori to understand their perspectives.</p> <p>To partner with Māori early in the planning process, enabling Kāinga Ora to understand their strategic intent and aspirations for the whenua and wai within and beyond the precinct boundaries.</p> <p>To engage with Māori experts in the areas of planning, design, cultural induction and monitoring, and risk management to complement planning and delivery teams in order to embed Te Ao Māori into the urban development programme.</p>

**1.11.3 Benefits**

Investment benefits represent the tangible benefits that the programme will deliver if it meets the investment objectives. Informed by the opportunities in section 1.9, the following six key benefits have been identified:

1. More people are moved into warm, dry, healthy, and safe public housing.
2. More affordable homes will be built.
3. Sustainable and thriving communities resulting from taking a whole of community approach.
4. Cultural values and traditions are supported in an inclusive community.
5. Infrastructure is designed and built in a manner that reduces the potential environmental effects.
6. Dwellings are delivered at a faster pace than they otherwise would be.

These benefits are not exhaustive but instead help to inform decisions on the optimal way forward, set a framework for the future neighbourhood and infrastructure business cases within this precinct and serve as the base for the Benefits Realisation Plan (described in the Management Case).

For the purpose of the LSP programme affordable housing includes agreed non-market products, for example, KiwiBuild, progressive home ownership and build-to-rent. These products provide a range of affordable ownership or secure-tenure rental housing options.

The following table further describes each benefit and identifies the manner in which the benefits can be measured.

Table 6 The benefits and the measures for the scope of work outlined in this precinct business case.

Benefit	Description	Measures
More people are moved into warm, dry, healthy, and safe public housing.	This will reduce homelessness and assist in improving the public housing waitlist. Families will have security of housing that is fit for purpose and will be less disrupted. The load on the public health system will be reduced.	<ul style="list-style-type: none"> <li>— Actual number of new public housing dwellings enabled under the development</li> <li>— Percentage of new public homes built to a 6 Homestar standard</li> <li>— Housing type (standalone, apartment, terrace, walk up) enabled</li> <li>— Average dwelling size, number of bedrooms</li> <li>— Achieved number of homes meeting agreed Kāinga Ora universal design standards and CPTED Principals</li> </ul>
More affordable homes will be built.	This increases the supply of houses available to the those seeking affordable homes to rent and own. It is a part of the market that is underserved by private developers currently.	<ul style="list-style-type: none"> <li>— Affordable homes enabled as a percentage of total market and affordable homes enabled (affordable as defined by KiwiBuild policy at the time of build and/or other agreed affordable products e.g. progressive home ownership, build-to-rent etc.)</li> </ul>
Sustainable and thriving communities resulting from taking a whole of community approach.	Better access to jobs, amenities, and services are achieved through a coordinated, precinct-level approach to urban development and transport planning. More community amenities, such as recreational spaces, can be provided in a precinct when there is a larger population due to higher density housing.	<ul style="list-style-type: none"> <li>— Number of employment opportunities provided to local community</li> <li>— Number of new/upgraded infrastructure</li> <li>— Number of new/upgraded social spaces and community facilities</li> <li>— Walking and cycling enabled through street safety features, footpath feature, shared paths and bike lanes, slow traffic zone</li> <li>— Minutes walking distance to public transport, retail, open spaces (connectivity of the neighbourhood)</li> </ul>
Cultural values and traditions are supported in an inclusive community.	Local solutions are developed that meet the diverse needs of different cultures and the existing community to support their traditions and relationships with families, land, water, and sites.	<ul style="list-style-type: none"> <li>— Number of community engagements on key infrastructure and amenities</li> <li>— Number of Maori and Pasifika community enterprises supported as a proportion of the 5%-7% of the contract sum spent with targeted organisations in the community</li> <li>— Number of community interests identified</li> <li>— Number of heritage and archaeological sites acknowledged during development</li> <li>— Proportion of community amenities that involve local groups and/or local culture in the design</li> </ul>
Infrastructure is designed and built in a manner that reduces the potential environmental effects.	Homes and community infrastructure are environmentally efficient and sustainable, resilient to environmental shocks, and empower tenants to live in an environmentally sustainable way.	<ul style="list-style-type: none"> <li>— Sqm/Ha of land remediated</li> <li>— Number of projects meeting Nga Pou Tikanga principle outcomes (evaluation with Te Kurutao Group)</li> <li>— Measure water quality, fish numbers, evidence of scouring (reduced impact)</li> <li>— Bio diversity</li> </ul>

		<ul style="list-style-type: none"> <li>— Number of (native) Trees planted, tree canopy coverage</li> <li>— Increase in planting to stop erosion</li> <li>— Amount of waste reduced, reused, recycled and/or diverted from landfill (tonnes) - Demolition Waste</li> <li>— Amount of waste reduced, reused, recycled and/or diverted from landfill (tonnes) – Construction Waste</li> <li>— Number of house relocations</li> </ul>
Dwellings are delivered at a faster pace than they otherwise would be.	The approach taken to enabling the land (delivery and funding) supports housing to be delivered promptly.	<ul style="list-style-type: none"> <li>— Timing of land ready for housing</li> <li>— Number and mix (%) of new public housing, affordable and market homes delivered</li> <li>— Number of innovative pilots</li> </ul>

### 1.12 Strategic Risks

A number of precinct-level strategic risks have been identified that could impact delivery of the LSP benefits. These align with the detailed programme and project risk registers that are managed across the LSPs (refer to the Management Case for the approach to risk identification and management).

The top risks for the Roskill and Oranga precincts are shown in Table 7 below.

**Table 7 The top risks identified for the Roskill and Oranga Precincts.**

Risk Title	Cause	Effect
Kāinga Ora unable to bind infrastructure owners, stakeholders and local authorities to align strategic investment decisions to the Kāinga Ora LSP delivery programme	Local Councils inability to fund infrastructure upgrades required for KO developments	Additional costs imposed on Kāinga Ora Neighbourhoods due to cost share agreements being renegotiated or utility companies not paying their agreed share
	Cost share arrangements are not fully agreed with utility companies	Delays due to prolonged negotiations with stakeholders, utility providers and local authorities.
	Utility companies wanting to renegotiate established agreements	Delays to 3rd party infrastructure works causes delays to LSP programme schedule
	Stakeholders, local authorities, and utility providers have their own objectives which do not align with that of Kāinga Ora	
Local Authorities consents processing delays	Council resourcing constraints cause delays in consent processing	Delays incurred to the commencement of consent reliant works
	Inability for local authority to process con-current consents to enable the delivery of just-in-time infrastructure to service newly constructed state, market and affordable homes	Delays to completion of neighbourhood scope
		Delays to the handover of superlots in neighbourhoods for house construction to occur
Kāinga Ora and Te Tupapa Kura Kāinga do not develop an	No clear delineation of roles and responsibilities between Te Tupapa	Reputational damage and delays due to inefficient decision making processes

agreement to articulate their respective roles and responsibilities within the LSP delivery environment	Kura Kāinga and Kāinga Ora as it relates to the establishment and implementation of the proposed Strategic Enhanced Governance function comprising Central and Local Government and their agencies	
KiwiBuild policies restrict LSP land revenue potential	Current policies do not allow Kāinga Ora LSP Portfolio to realise the full financial potential of land sales	Reduced revenue across LSP Portfolio due to having to sell land below market rates
Escalation impacts exceeding planned allowances and historical averages used for estimating	Excessive escalation due to: Impact on supply chains for materials both from international and local sources Covid-19 restrictions and availability of materials and labour resources	Increases in the cost of completing LSP scope due to actual escalation being above that allowed for in the LSP Budgets
New Zealand's climate change strategy adversely influences LSP delivery programme	Commitments made by the New Zealand Government require Kāinga Ora to alter its LSP Delivery Programme Strategies causing increases in cost and time	Potential for alterations being made to LSP Precinct delivery strategies, scope, design criteria and sequencing resulting in increases in cost and likely delays.

**1.13 Assumptions, Constraints, and Dependencies**

This section sets out the assumptions, constraints and dependencies that may affect the delivery of future options and benefits.

**1.13.1 Assumptions**

Assumptions are things that are accepted as true or as certain to happen, without proof. If they are not certain to happen, they may be a risk.

**Table 8 The assumptions that this precinct business case has been developed based on.**

Assumption	Notes
Long term public housing demand growth in Auckland	The public housing waitlist in Auckland has been growing rapidly with demand for new or better matched public housing outstripping Kāinga Ora's ability to build new homes and rematch tenants to suitable dwellings.  Without intervention, the waitlist is assumed to continue to increase rather than decrease in future.
Sustained demand for affordable housing in Auckland	Housing demand in Auckland is continuing to grow, with house prices rising to match the demand. Kāinga Ora has an objective to support the provision of affordable housing to enable people from all backgrounds to own their own home.

	The programme assumes that demand for affordable housing will maintain or continue to grow, requiring Kāinga Ora to maximise opportunities to support the provision of affordable housing to meet the demand.
Decisions that have already been made will hold	<p>The approvals made to date with respect to the LSP portfolio and the Roskill and Oranga precincts have enabled the current progress and prevented progress from slowing down.</p> <p>The scope of this business case builds on the approvals that have already been made in order to sustain the momentum of the programme.</p>
Waikōwhai Plan Change	If the Plan Change is not approved, the total yield of housing enabled will decrease by 478 and have an impact on the net cash position.
Wesley West Plan Change	If the Wesley West Plan Change is not approved, the total yield of housing enabled will decrease by 700 and have an impact on the net cash position.
Removal of overhead powerlines in Waikōwhai	It is assumed that the overhead powerlines will be removed. If this is not the case, the total yield of housing enabled will decrease by 450 and will have an impact on the net cash position.

1.13.2 Constraints

Constraints are limitations imposed on the programme proposal from the outset. The constraints will be considered when developing the options in the Economic Case.

Table 9 The constraints the LSP programme is subject to.

Constraints	Notes
Public policy requirements	As outlined in the Strategic Alignment section of this business case, Kāinga Ora are required to meet higher standards and provide greater non-monetary benefits than a private developer would be subject to. This constrains Kāinga Ora’s ability to maximise revenue and increases the cost of development.
Timing and route of Auckland Light Rail (ALR)	<p>The proposed route of the light rail network is not confirmed, and it is not yet known how this will affect the precinct masterplan. The affected neighbourhoods have been sequenced to start later in the programme to allow time for the effect of the light rail route to be determined.</p> <p>The interdependency with ALR is explained in more detail below.</p>
Delivery of housing supply by the private sector	The delivery of the homes enabled by the development will be market dependent, industry reliant and constrained by perceptions of risk, market cycles and market response to new and higher density typologies etc.

1.13.3

### 1.13.4 Dependencies

Dependencies are the external influences on the success of the programme, where success is contingent on the future actions of others. The dependencies will need to be carefully managed at the programme level and addressed at the neighbourhood level in subsequent business cases.

**Table 10 The dependencies the LSP programme is subject to.**

Dependencies	Notes
Certainty of Crown funding	The 2021 Budget bid sought approximately \$2b for the Auckland LSPs. This covered the funding gap associated with the programmes over the next 5 years irrespective of where the funding gap sat. Delivery of these projects requires certainty that funding is available irrespective of broader Crown and Council negotiations.
Public Housing Plan (PHP)	<p>The PHP sets out the funding available for public housing supply and where this supply is required. The current PHP is for the period 2021-24 whereas the investment proposed in this business case would result in the delivery of public housing out to 2029/30. Kāinga Ora will work with HUD to ensure that appropriate funding is allocated to Auckland in the outyears.</p> <p>It is important to note that public housing is not a driver of cost or income for this appropriation, as this is about the land development costs and the extent of sub-market sales i.e. affordable.</p>
Relocation of tenants to enable development	For homes to be removed, tenants from the public housing dwellings will need to be relocated to another suitable home. Without proper management, incorrect timing of the relocations could delay the removals and subsequently affect the timing of the programme.
Provision of vital transport networks from Auckland Light Rail (ALR)	<p>ALR has the potential to provide increased transport links for the precinct, which will be vital to support the ability for the transport network to meet the increased needs of the community.</p> <p>If ALR was not to proceed, further consideration would be needed to ensure that the arterial transport routes servicing the precinct are sufficient to support the increased density.</p> <p>The interdependency with ALR is explained in more detail below.</p>
Infrastructure Business Cases gaining approval	The future Infrastructure Business Cases will enable infrastructure that services multiple precincts and/or be located outside of the precinct but is required to enable sufficient capacity within the precinct. Without their approval, the precincts may not be adequately serviced by connecting infrastructure.

### 1.13.5 Interdependencies

Kāinga Ora and other government agencies have identified other programmes, projects, and initiatives that are external to Kāinga Ora and the LSP programme but could impact the successful delivery of the LSPs. These are set out below, including considerations to date and any potential future implications.

#### 1.13.5.1 Recent housing density policy

In October 2021, the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill (Housing Supply Bill) was announced by the Government to improve housing supply in New Zealand's five largest cities. This bill proposes to implement Medium Density Residential Standards (MDRS) across all residential zones in Auckland, with some exceptions such as heritage areas and natural hazards. As currently drafted, this will have the greatest effect in the Single House (SHZ) and Mixed Housing Suburban (MHS) zones under the Auckland Unitary Plan (AUP). These

changes will increase the development potential within the Mt Roskill, Tāmaki, and Mangere precincts. Preliminary analysis, however, shows the potential capacity over and above the previously announced NPS-UD provisions is not significant for the neighbourhoods that are within scope of the PBCs due to the current zoning of the neighbourhoods.

The Roskill LSP sees minimal opportunity for increased yield resulting from the MDRS over and above the NPS-UD. This only covers areas that are currently within the SHZ or MHS zones. Already, the Terrace Housing & Apartment Building Zone (THAB) and Mixed Housing Urban Zone (MHU) enable development to a similar scale or greater than the proposed MDRS. As such any impact of the proposed standards on sites currently zoned THAB or MHU is likely to be negligible.

Under the NPS-UD, the greatest potential increases in plan-enabled development capacity are expected to occur in neighbourhoods outside the scope of this business case, with the exception of Waikōwhai. However, Waikōwhai is already seeking Plan Change zoning uplift and a decision is expected in 2022. Ōwairaka and Wesley are likely to have the least development uplift due to Wesley's already generous zoning framework and Ōwairaka being a reasonable distance away from any planned Frequent Transit Network or Rapid Transit Stop. Roskill South is already nearing full build capacity.

In terms of the MDRS provisions, they will have a moderate impact across the wider Roskill Development area resulting in a theoretical yield increase over and above the existing AUP provisions. The majority of this would be located in the Waikōwhai (under Plan Change already as per above) and New Windsor (outside of the scope of this business case) which feature extensive areas of MHS zoning. The remainder of the precinct already features considerable amounts of MHU and THAB zoning. The future light rail corridor is also likely to be a significant driver of future development potential over and above what the proposed MDRS provisions would seek to apply.

The Oranga Precinct has a zoning of a combination of MHU and MHS. The northern portion has a zoning of MHS with approximately 111,000 sqm of land. The southern portion has a zoning of MHU with approximately 82,000 sqm of land.

The current masterplan allows for higher density compared to the AUP. For MHU, the maximum set in the AUP is 60 d/ha and the masterplan allows for 80 d/ha. For MHS, the maximum under AUP is set at 33 d/ha and the masterplan allows for 43 d/ha.

The proposed MDRS impacts the area in Oranga with MHS zones. Assuming that the MDRS will enable landowners to build up to three houses of up to three storeys on their site as of right on most sites, the maximum theoretical density for MHS zones will be similar to MHU zones which is at 60 d/ha.

At this density, additional 100-150 homes can be allowed for in Oranga. This will increase the total yield to between 1,400 to 1,450 homes. The current masterplan has a proposed yield of 1,300. This additional yield may trigger additional infrastructure upgrades to support the higher density.

#### **1.13.5.2 Auckland Light Rail (ALR)**

The Government and Auckland Council are currently investigating the feasibility of a light rapid transit network for Auckland, with the first line likely to run between Mangere and the city centre, passing near Roskill.

The precise route and station locations have not yet been decided, however there is an intention that the ALR project will be "city shaping" and facilitate a significant change in urban development along the corridor.

Kāinga Ora has a role in the ALR Establishment Unit (the Unit) and has been helping to shape the advice to the Unit's board and to Sponsors (Ministers and the Mayor). The Unit has produced an Indicative Business Case, which includes early analysis on the potential urban development opportunities, and it will continue to develop its urban development plans in coming years in collaboration with Kāinga Ora.

Currently, ALR assumes increased density of housing around the stations, although these are high level assumptions at this point compared to Kāinga Ora's analysis of the density opportunities and constraints in the LSPs.

This precinct business case does not rely on ALR proceeding. The benefits can be achieved with the current transport infrastructure plans, however ALR would bring further accessibility and mode-shift benefits for the community. The

increased access to Roskill would likely result in higher demand for housing and may create potential for some further increases in density, beyond Kāinga Ora's current plans. The Roskill LSP represents a material increase in density from the status quo and Kāinga Ora has optimised this within the key constraints including geotechnical conditions and the demographic needs of the local community, for example demand for larger family homes. The density opportunities beyond this are highly uncertain due to the early stage of ALR planning.

Kāinga Ora has staged the Roskill LSP to balance the need to deliver new housing at pace, without precluding opportunities that ALR could bring. This manifests in two ways:

- The first neighbourhoods being delivered are those that are least likely to be impacted by ALR i.e. further from the potential station sites.
- Some surplus capacity has been assumed in the precinct level infrastructure covered by this business case.

This means that this precinct business case seeks investment that Kāinga Ora can implement over the coming years while ALR plans are further developed, while retaining flexibility to accommodate any ALR opportunities – including in future neighbourhoods in the precinct that are not covered by this business case.

Depending on the final route, the neighbourhoods in the Roskill precinct that may be impacted by ALR are:

- Balmoral
- Dominion Road
- Roskill Schools
- Warren & Carr
- Wesley West
- Wesley East
- Wesley North
- Sandringham

Of these, only Wesley West is in the scope of this business case.

Kāinga Ora will continue to work closely with the ALR Unit to assess opportunities to modify the current plans for the above neighbourhoods. Any opportunities to further increase density in the Roskill LSP will be assessed against the benefits sought in this precinct business case to ensure Kāinga Ora continues to deliver thriving communities that meet the needs of the local area.

### **1.13.5.3 Opportunity to move Transpower lines**

The 110kV Mangere to Mount Roskill A line runs through Waikōwhai and Mangere. Presently there is a National Grid overlay in the Unitary Plan, stating a 12m no-build exclusion zone either side of the powerline, meaning that if left in place, housing capacity in Waikōwhai is reduced by approximately 450 dwellings. Currently there are approximately 1,100 families living under the overhead lines as well as numerous businesses and Council parks. These lines need to be removed to ensure residents are living in healthy homes away from electro-magnetic fields, visual pollution is eradicated, and there is a climate resilient and future proofed network for that part of Auckland which also serves Northland. While not desirable, this a legacy issue for parts of Transpower's older network in urban areas. Transpower had earmarked these lines for removal post 2050 as part of their Auckland Strategy.

Kāinga Ora and Eke Panuku Development Auckland (Panuku) co-funded Transpower undertake a feasibility study to bring forward removal of the lines to allow its housing development plans in the Waikōwhai area. This investigation has taken around 12 months. Panuku are working on the redevelopment of council owned land in Onehunga and the Onehunga Wharf Regeneration. Panuku have advised these developments will benefit significantly from the removal of these lines. AT / NZTA projects such as the Light Rail/Mass Transit Corridor would also benefit from removal of the lines as there are currently pylons along the proposed routes.

A number of workshops were held between Transpower and Vector and other key stakeholders including mana whenua, which resulted in a removal option being more preferable. This option focussed on removal of the Mangere to Roskill line and connecting Mangere to Wiri to ensure resilience in the 110kV network. These options are still under consultation and consideration.

#### 1.13.5.4 Three Waters Reform

In October 2021 the Government confirmed that it will create four publicly-owned water entities that will own and operate the three waters systems: drinking water, waste water, and stormwater. The details of the entities and the transition plan are still being developed, however it's likely that assets that are currently owned and operated by Watercare and Healthy Waters will be controlled by one of the new water entities from 1 July 2024.

The LSPs are planning and delivering assets across the three waters, covering both renewals and growth, and delivery is intended to ramp up over coming years. The precinct teams are staying abreast of the potential reforms through Watercare, to understand whether there will be changes that could impact the LSPs. In particular whether there are changes to:

- The ultimate owner of the water assets being delivered by the LSPs
- The capital asset planning approaches and infrastructure design requirements
- Investment decision processes
- Water pricing and funding approaches
- Regulation

Any risks from the potential changes will become clearer as the Department of Internal Affairs (DIA) develops the transition plan and these risks will be actively managed at both a portfolio level and a precinct level. There may also be opportunities that arise from the reforms; for example, the new water entities are expected to have a greater debt capacity than is currently available from Auckland Council and therefore may be able to support the LSPs to a greater extent and reduce the draw on Crown funding. Kāinga Ora is investigating this opportunity, with a focus on which parties should ultimately pay for the assets (e.g. Auckland ratepayers, landowners in and around the precincts, general taxpayers).

# 2 | Economic Case



## 2 Economic Case

The purpose of the economic case is to identify the preferred programme that optimises value for government and New Zealand. Following from the strategic case, which established the strategic context for the investment and a robust case for change, this part of the precinct business case identifies:

- Critical success factors for the investment
- Programme options identification
- Assessment of the long list against the critical success factors, investment objectives, and benefits
- Financial analysis for each of the short list options
- Assessment of the short list against the net cost, investment objectives, and benefits
- A preferred way forward

Due to the Oranga development being well-advanced, the density and tenure mix has already been agreed (see Strategic Case) and therefore doesn't require a further assessment of the options. The economic case considers the options for the Roskill precinct only.

### 2.1 Critical Success Factors (CSFs)

The following critical success factors were agreed by stakeholders to form part of the assessment of options.

**Table 11 Critical Success Factors.**

CSF	Description
Strategic fit and business needs	How well the option: <ul style="list-style-type: none"> <li>— meets the agreed investment objectives, related business needs, and requirements for public housing</li> <li>— allows the investment to align with and deliver on Government policy for housing supply</li> </ul>
Potential value for money	How well the option: <ul style="list-style-type: none"> <li>— optimises potential value for money (i.e. the optimal mix of potential benefits, costs, and risks)</li> </ul>
Supplier capacity and capability	How well the option: <ul style="list-style-type: none"> <li>— matches the ability and capacity of the market to deliver the required services</li> <li>— is likely to result in a sustainable arrangement that optimises value for money over the term of the contract without flooding the market</li> <li>— is likely to match the market appetite for the sale of superlots</li> </ul>
Potential affordability	How well the option: <ul style="list-style-type: none"> <li>— can be met from likely available funding</li> <li>— matches other funding constraints</li> </ul> <p>Note: the assessment is potential affordability rather than against the HAF cap.</p>
Potential achievability	How well the option: <ul style="list-style-type: none"> <li>— is likely to be within Kāinga Ora, Auckland Council, CCOs, and Piritahi's ability to respond to the changes required</li> <li>— can be delivered under current infrastructure assessments to prevent cost and delays associated with rework</li> </ul>

## 2.2 Programme Options Identification

The purpose of this section is to identify and assess as wide a range as possible of programme options that reflect key trade-offs for value for money, achieve the investment objectives and service requirements, and lie within the boundaries of the scope parameters and critical success factors identified previously.

Kāinga Ora, HUD and the Treasury have previously considered a broad set of options for the delivery of the LSPs in 2020, as set out in the Strategic Case. These initial options ranged from selling the Kāinga Ora land to private developers (i.e. maximising commercial returns), to retro-fitting Kāinga Ora homes to improve wellbeing for tenants, to Kāinga Ora taking a precinct approach to developing the land and substantially increasing the number of homes in each precinct.

When evaluating the initial options, the agencies considered:

- The demand for housing in Auckland
- The waitlist for state housing in each precinct area
- The suitability of existing state housing for current and future tenants, based on demographics of each precinct area
- The case for brownfield intensification, compared to new greenfield developments
- The wellbeing benefits of modern housing
- The wellbeing benefits of master-planned communities and increased amenities
- The environmental opportunities in each precinct if land was redeveloped
- Auckland Council's priorities for areas of urban growth and current investment plans for horizontal infrastructure near the precincts
- The revenue potential of each precinct

Appendix E includes a summary of the broader benefits and costs that were identified and analysed through this process.

The Minister of Housing expressed a preference for Kāinga Ora to lead the redevelopment of the LSP precincts in a way that would substantially increase the number of homes, deliver thriving communities and environmental outcomes.

Kāinga Ora generated a Development Plan for each precinct to optimise the land development, based on the needs of each area, the market conditions and the network plans of the asset owners (e.g. Auckland Council CCOs). This process is described further in the section below.

Kāinga Ora modelled the potential costs and revenues of each precinct development plan and identified that the revenues would not be sufficient to cover the costs, either at a precinct level or a portfolio level. Following a recommendation from the Minister of Housing in April 2021, Cabinet supported the decision to hold \$2.3 billion of the Housing Acceleration Fund for the Auckland and Porirua LSPs on the basis of full funding (or the development plan option) for Auckland LSPs and scaled back funding for the Porirua LSP to enable higher density housing and thriving communities (1). In this context, the agencies agreed that this precinct business case would consider a long list of options to test dimensions of the development plan that may enhance the benefits. The dimensions were selected based on the priorities for the LSPs (as identified in the Strategic Case):

- Density of housing: if a greater number of homes were delivered, would the benefits justify the additional costs and risks?
- Tenure mix (the mix of state, affordable and market homes): if the mix of housing changed, could more benefits be delivered, and would they justify any revenue impact?
- Pace of delivery: could the benefits be delivered sooner?

The specific options under these three dimensions are listed in the section below. The Development Plan has already attempted to optimise the tenure and pace of delivery of the land ready for housing. The options in this business case are intended to test the key trade-offs within the three dimensions. The density and tenure mix options only apply to the Waikōwhai and Wesley West neighbourhoods, as the density and tenure mix for the Roskill South and Ōwairaka neighbourhoods have already been agreed and work has therefore commenced. Other neighbourhoods that will be delivered beyond the time period of this business case are out of scope, and decisions will be made in the future on the density, tenure mix, and pace of delivery.

### 2.2.1 Development Plan

The Development Plan for the Roskill precinct was generated in 2020 by Kāinga Ora, in consultation with Auckland Council and the relevant CCOs. It covers the full scope of the precinct, not just the neighbourhoods within this business case. The process sought to build on Auckland Council's growth ambitions for the area and deliver on Kāinga Ora's objective of contributing to sustainable, inclusive, and thriving communities that provide people with good quality, affordable housing choices that meet diverse needs.

The Roskill Development Plan proposes to deliver approximately 10,994 new homes in the precinct over 15-20 years. The planned tenure mix for the neighbourhoods within the scope of this business case is 40% state, 30% affordable and 30% market.

The Development Plan was guided by an overarching Spatial Delivery Strategy of 2019 which provides a framework for the entire precinct and neighbourhood masterplanning. These masterplans set the proposal for each neighbourhood and then plans for each stage of delivery. The May 2020 Roskill Development Plan recommended the redevelopment of approximately 3,000 existing state homes across Roskill to a forecast 11,000 new, warm, dry homes. This is an uplift of 3.7. An increase in density across the precinct will result in the introduction of housing typologies that may be new for some neighbourhoods. Shifting from the current predominant development pattern of single-storey detached houses on large sites to a new built form which includes semi-detached houses, terrace houses and apartments. This change is in line with Auckland Council's vision for the area, as evidenced within the Council's Unitary Plan (operative in part). Any substantial increases in density will be targeted only to locations that enable and support it.

A 'Business Case Yield Estimate' methodology was developed for Kāinga Ora by Isthmus (urban design consultancy) using AUP zoning to estimate density and projected yield as part of Kāinga Ora's development programme for Māngere and Mt Roskill during Business Case phase and was also used to help determine staging and verify yield assumptions.

The AUP does not have a maximum density provision per se, but provides a set of planning regulations and controls which act as an envelope. Density, often measured in dwellings per hectare, therefore becomes a direct function of the typology mix of a proposed development within the planning envelope provided by the AUP. This will vary greatly depending on the number of one-bedroom dwellings proposed versus, say, 4 or 5 bedroom dwellings and whether the sites in question are a large number of small sites or a fewer number of large sites, which can afford greater efficiencies in layout.

Kāinga Ora's Large Scale Projects seek to provide a mix of dwelling typologies and bedroom numbers reflective of the need in the area and which are in line with good urban design principles. For example, Kāinga Ora seeks a limit of approximately 10% one-bedroom units and a varied mix of standalone, duplex, terraced and apartment typologies depending on the suitability of the superlot. The general principle adopted is to push density to the highest level which still results in a good urban design outcome.

The methodology used to determine yield involved calculating a 'Net Maximised Estimated Density' factor which was derived from several case study lots in each AUP planning zone. The amalgamated site had a bulk and location scheme proposed using the rules of each zone to understand the implication of the rule on yield. For example, Mixed Housing Suburban zone has a maximum height of 8+1m which limits development to two storeys. When coupled with height in relation to boundary, maximum impervious surface, maximum coverage, outlook and setback requirements this creates an anticipated site area minimum of approximately 300sqm necessary for a dwelling to be delivered. The same was estimated for each planning zone.

To evaluate how these density estimates would translate to real-world examples, and to be able to deliver a site-specific yield response, a series of 'Development Constraints' were identified. The development constraints are features of a site which have a physical impact on development and yield, like steep topography or a height overlay. The purpose of testing the development constraints was to extract a multiplier which when applied to the Net Maximised Estimated Density makes the estimate specific to the site conditions and gives it another level of accuracy. Seven constraint factors were identified as having a tangible effect on development yield, being: Topography, Height Overlays, Volcanic View Shafts, Flood Plains, Site Width, Site Shape Regularity, Mature/Dense Vegetation on or adjacent to the site.

State house density and yield assumptions were further informed by a coefficient specific to state superlots of 0.75. Real world delivery numbers on recent state development sites within Roskill South and Ōwairaka had demonstrated a yield of, on average, 25% less than Market sites. This was largely due to specific demands of Kāinga Ora tenant needs, including larger dwelling/bedroom size and standalone or duplex typology.

A greater increase in residential density over and above the AUP via the project's design will be targeted to Neighbourhoods with a strong rationale for density (such as Waikōwhai and Wesley West). This will include whether the area/site is:

- Close to public transport (Rapid Frequent Network and Frequent Transport Network);
- Close to centres and/or employment areas;
- Close to social, education and healthcare facilities;
- Close to open spaces;
- Able to integrate well with zoning in the surrounding area;
- Outside of areas with significant constraints e.g. areas with major flooding issues;
- Outside of areas that would have reverse sensitivity effects e.g. further than 500m from the Heavy Industry zone (generally);
- through contiguous land ownership and masterplanning offers an opportunity to achieve the integrated planning of land use, infrastructure and development.

Often other site specific considerations such as geotechnical conditions are used to further inform suitable typologies and yield during master planning of a neighbourhood. Furthermore, increased yields of up to 10% are sometimes proposed by market build partners. The proposal is assessed by the Design Review Panel and would usually be accepted if it is demonstrated to represent a desirable urban design outcome and is does not negatively impact infrastructure capacity in the area.

The Business Case Yield Estimate exercise resulted in a total yield assumption for the Roskill Business Case which is achievable by the state and market house builders and is sufficiently accurate to inform infrastructure requirements without risk of under-provisioning the neighbourhoods.

Figure 12 shows an example of how Development Constraint Multipliers would be applied to a site when estimating yield.

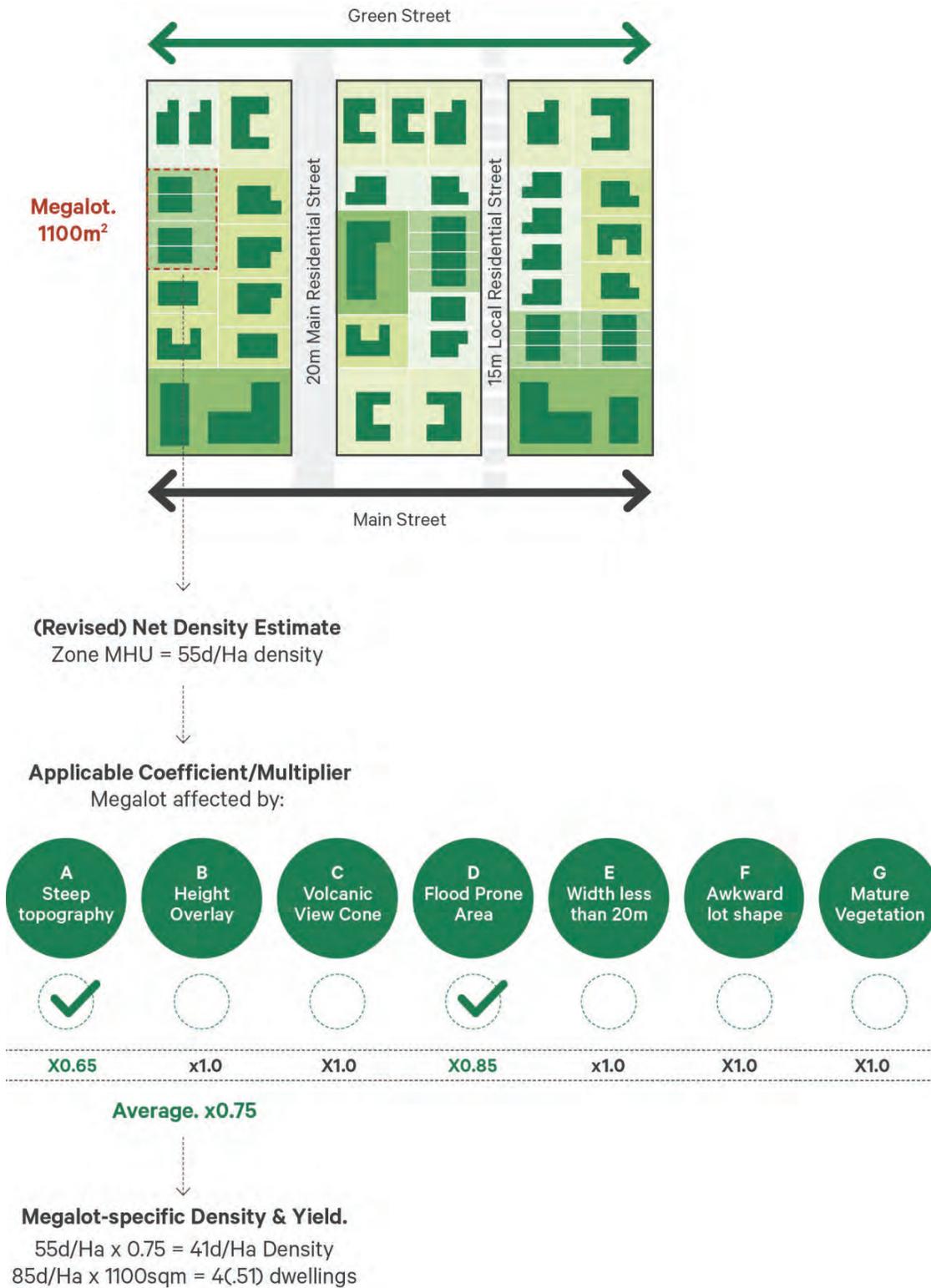


Figure 12 Example of how Development Constraint Multipliers would be applied to a site when estimating yield.

Kāinga Ora owned land in greater Wesley will be redeveloped over the next 15 years into what will predominantly be a community of apartments (80%) centred around community, commercial, and transport nodes hubs. Approximately 1,600 existing state dwellings will be replaced with approximately 6,000 new dwellings and 40% (2,400) are proposed to be state homes. This will lead to a high number of state homes in a single suburb and will deliver approximately 45% of the state housing proposed for the whole Roskill Development. These numbers will assist in delivering new state homes at a time where the waiting list and waiting times for state homes in Roskill is increasing and this strategy is in response to that unmet need. At this density, there is a need for more intensive tenancy management and social service provision. The operational costs associated with that level of service is not within the scope of this PBC.

State housing demand will be assessed at the time of the Wesley West Neighbourhood Business Case and housing typologies will be proposed that reflect current demand requirements. An operational tenancy management strategy and associated cost to support the number and type of dwellings proposed in Wesley West will also be drafted alongside the Neighbourhood Business Case.

The Auckland LSP Development Plans put high importance on the pace of delivery. Kāinga Ora have comprehensively investigated if the pace could be increased, including whether there were other assumptions/constraints that could be relaxed to enable this, and have not been able to increase the pace of the schedule. Delivery to date demonstrates the difficulty in increasing pace, for example in the neighbourhood of Roskill South where an increase in land development activity above the base programme resulted in community fatigue and erosion of Kāinga Ora’s social license to operate in this area. Kāinga Ora and asset owners are also currently trying to manage the risk of delays due to global supply chain and general labour market constraints resulting from the COVID-19 pandemic, this creates an additional challenge to further increasing the pace.

Infrastructure projects can have long lead times due to the network planning and design required. This, coupled with capacity constraints in the market and the risks to social licence from moving too fast for the local community, means that the programme acceleration options are not feasible and have been discounted in the assessment below.

### 2.2.2 Long List Options

The table below presents the long list options within each dimension of density, tenure mix, and pace. The options were workshopped with HUD and the Treasury to check they reflected a sufficient challenge to the Development Plan and were aligned with Government priorities.

**Table 12 Dimensions for density, tenure mix, and pace.**

Dimension	Options within each dimension
Density	Development Plan
	Increase density by 5% - 10%
	Increase density by 15%
Tenure Mix	Development Plan
	+10% state and -10% market
	+10% affordable and -10% market
	+10% market and -10% state
	+10% affordable and -10% state
	100% state
	100% market

	50% market and 50% affordable
<b>Pace – land ready for housing</b>	Development Plan
	Bring programme forward by 6 months
	Bring programme forward by 12 months
	Bring programme forward by 18 months

The approaches used to adjust for the different dimensions are as follow:

- **Density:** Changes to density are applied as a direct proportional increase to the total Development Plan numbers. For example, a 5% increase in density corresponded to a direct 5% increase of the Development Plan numbers.
- **Tenure Mix:** Changes to tenure mix are a reallocation on an absolute basis rather than a proportional increase/decrease to the total Development Plan numbers. For example, under the +10% state and -10% market, the development plan of 40% state, 30% affordable and 30% market was reallocated to 50% state, 30% affordable and 20% market.

Table 13 below outlines the number of houses that would be delivered under each of the density and tenure mix options. The pace options to deliver land ready for housing do not affect the number of houses, they only affect the timeframe for delivery.

The different density and tenure mix options presented in the table below are applied to the neighbourhoods in scope which are not yet committed. If construction of the infrastructure has already started in a neighbourhood, or is complete, the options do not apply. The home numbers associated are included in the table below, but they do not vary between the options. Roskill South, Ōwairaka, and Oranga are already committed so changes to density and tenure only apply to Waikōwhai and Wesley West.

**Table 13 The number of homes enabled under each density and tenure mix option.**

Dimension	Option	State homes	Affordable homes	Market homes	Total
<b>Density</b>	Development Plan	2,241	2,004	2,004	6,250
	+5-10%	2,321	2,064	2,064	6,448
		2,400	2,123	2,123	6,647
	+15%	2,479	2,183	2,183	6,845
<b>Tenure mix</b>	Development Plan	2,241	2,004	2,004	6,250
	+10% state and -10% market	2,866	2,004	1,379	6,250
	+10% affordable and -10% market	2,241	2,629	1,379	6,250
	+10% market and -10% state	1,616	2,004	2,629	6,250

+10% affordable and -10% state	1,616	2,629	2,004	<b>6,250</b>
100% market	637	-	5,613	<b>6,250</b>
50% market and 50% affordable	637	2,807	2,807	<b>6,250</b>

### 2.3 Long List Assessment

The majority of the benefits, or risks, associated with each option are not financially quantifiable and therefore are assessed qualitatively through evaluation against the Investment Objectives, CSFs, and benefits to reach a short list for financial analysis and further assessment.

For each dimension there are key benefits and risks impacted when changing options; these are listed below:

#### 2.3.1 Advantages and Disadvantages

The main advantages and disadvantages of each long list option are provided in Appendix F. For each option the outcome of the full long list assessment is highlighted.

For each dimension there are key benefits and risks impacted when changing options; these are listed below:

#### Density

- Number of homes provided
- Māori cultural impacts
- Level of access to facilities, amenities, employment, education, and transport
- Support for local businesses
- Delivery timeframes
- Liveability
- Supplier capacity
- Changes to bulk infrastructure
- Suitability of the land
- Market appetite

#### Tenure Mix

- Impact on the waitlist for state housing
- Level of affordable housing available for the community
- Revenue from the sale of market housing
- Impact on Māori aspirations
- Impact on stakeholder and community relationships
- Delivery timeframes
- Access to labour, construction materials, sales, and legal services
- Job creation
- Disruption to tenants and the community
- Need for support services, social infrastructure, and amenities

- Diversity of the community
- Need for intensive tenancy management

**Pace**

- Māori cultural impacts
- Impact on Māori aspirations
- Impact on stakeholder and community relationships
- Delivery timeframes
- Disruption to tenants and the community
- Job creation
- Market appetite

**2.3.2 Qualitative Assessment**

The key factor for assessment of the long list was against the Investment Objectives and CSFs to assess the feasibility.

The long list was assessed against the benefits, with the majority of the long list options scoring well due to the comparison against the counterfactual of no investment occurring in the area. The assessment against the benefits is provided in Appendix G.

Each option was assessed against the five Investment Objectives and scored as follows:

— Fully meets the criteria	3
— Partially meets the criteria	2
— Does not meet the criteria	0

The assessment factored in the existing arrangements and business needs as outlined in section 1.11.2, and were compared to the counterfactual of no investment occurring in the area.

In some cases, an Investment Objective was not applicable to the option set of density, tenure mix, or pace options. In those instances, no score was applied across the option set. The weighting of each Investment Objective determined by the problem statements in Figure 8 was applied to the score and summed to give the total score for each option against the Investment Objectives.

The CSFs were assessed on a pass or fail basis against the details provided in Table 11.

The table below shows the qualitative assessment of the long list options against the Investment Objectives and CSFs.

Table 14 The assessment of the long list options against the weighted Investment Objectives and the CSFs.

Investment Objectives	Weighting	1. Density					2. Tenure mix					3. Pace					
		1a Development Plan	1b + S-10%	1c + 15%	2a Development Plan	2b +10%; state and -10%; market	2c +10%; affordable and -10%; market	2d +10%; market and -10%; state	2e +10%; affordable and -10%; state	2f 100%; state	2g 100%; market	2h 50%; market and 50%; affordable	3a Development Plan	3b Bring forward by 6 months	3c Bring forward by 12 months	3d Bring forward by 18 months	
Respond to climate change, and other Crown objectives	0.25	3	3	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Increase pace of build-ready land to optimise density	0.1	3	2	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	2	3	3	3	
Enable appropriate mix of public, market, and affordable housing	0.3	N/A	N/A	N/A	3	3	3	2	0	0	0	N/A	N/A	N/A	N/A	N/A	
Enable critical infrastructure that improves wellbeing and provides capacity	0.25	2	3	3	3	3	3	3	3	3	3	N/A	N/A	N/A	N/A	N/A	
Provide opportunity to partner with/for realise aspirations	0.1	3	3	2	3	3	3	3	0	3	3	3	2	0	0	0	
<b>Critical Success Factors</b>																	
Strategic fit and business needs		Pass	Pass	Fail	Pass	Pass	Pass	Fail	Fail	Fail	Fail	Pass	Fail	Fail	Fail	Fail	Fail
Potential value for money		Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Supplier capacity and capability		Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Potential affordability		Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Potential achievability		Pass	Fail	Fail	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Fail	Fail	Fail	Fail	Fail
<b>Overall Assessment</b>																	
Investment Objectives		1.85	2	1.7	1.95	1.95	1.95	1.65	1.65	1.05	1.05	0.5	0.4	0.3	0.3	0.3	0.3
Critical Success Factors		Pass	Fail	Fail	Pass	Pass	Pass	Fail	Fail	Fail	Fail	Pass	Fail	Fail	Fail	Fail	Fail
Outcome from Assessment		Possible	Discounted	Discounted	Possible	Possible	Possible	Discounted	Discounted	Discounted	Discounted	Possible	Discounted	Discounted	Discounted	Discounted	Discounted

### 2.3.3 Long List Assessment Outcomes

In the assessment of the long list, the CSFs were a key metric for determining the options to be carried forward, as options that did not pass all the CSFs were discounted. This was typically because the option was determined to not be achievable or would push the programme out. Potential delays to the programme and the impact to stakeholders and community relationships caused a number of options to fail the CSF for strategic fit and business needs.

The three density options scored similar against the investment objectives. However, options 1b and 1c were determined unachievable due to the likelihood of new infrastructure assessments being required (which would delay the programme) and geotechnical constraints, and therefore were discounted.

Tenure options 2a, 2b, and 2c scored well against the investment objectives and met all of the CSFs to be continued to the long list. The options will 100% state, 100% market or market and affordable housing only do not provide an appropriate mix of housing that enables a diverse and thriving community. For this reason, the options did not pass the strategic fit CSF.

It was determined that tenure options 2d and 2e do not meet the strategic fit and business needs of Kāinga Ora and the focus on an uplift in state housing to respond to unmet need in Roskill.

The Roskill LSP programme is already optimised to deliver housing at pace. The pace options were tested but determined to be unachievable due to the capacity of Kāinga Ora, its partners, and suppliers. The increased pace options also limit the ability to consult and communicate with the community effectively and would disrupt public housing tenants and those living in the area.

## 2.4 Short List Options

In summary, the assessment of the long list of options is described in the table below:

Dimension	Options carried forward
Density	Development Plan
Tenure Mix	Development Plan +10% state and -10% market +10% affordable and -10% market
Pace	Development Plan

Based on the options carried forward, the following short list of options has been defined:

<b>Option 1: Development Plan</b>	<ul style="list-style-type: none"> <li>— 6,250 new homes in the neighbourhoods within scope</li> <li>— Tenure mix of 40% state, 30% affordable and 30% market</li> <li>— In-scope development completed by 2030</li> </ul>
<b>Option 2: +10% State and -10% Market</b>	<ul style="list-style-type: none"> <li>— 6,250 new homes in the neighbourhoods within scope</li> <li>— Tenure mix of 50% state, 30% affordable and 20% market</li> <li>— In-scope development completed by 2030</li> </ul>
<b>Option 3: +10% Affordable and -10% Market</b>	<ul style="list-style-type: none"> <li>— 6,250 new homes in the neighbourhoods within scope</li> <li>— Tenure mix of 40% state, 40% affordable and 20% market</li> <li>— In-scope development completed by 2030</li> </ul>

2.4.1 Short List Assessment

The table below assesses each of the short-listed options against the Investment objectives and benefits set out in the Strategic Case, alongside a summary of the financial analysis to show net costs. The net present costs (NPCs) show the discounted net cashflows forecast for the neighbourhoods within the scope of this business case. These have been calculated from 1 July 2021 onwards and use the Kāinga Ora discount rate of 5.89%.

	Option 1: Development Plan	Option 2: +10% State and -10% Market	Option 3: +10% Affordable and -10% Market
<b>NPC</b>	\$236 million	\$236 million	\$260 million
<b>Revenue</b>	\$1,240 million	\$1,240 million	\$1,208 million
<b>Costs</b>	\$1,796 million	\$1,796 million	\$1,796 million
<b>Net Costs (excl. CCO and contingency)</b>	\$556 million	\$556 million	\$588 million
<b>Net cost to Crown per home enabled (excl. CCO and contingency)</b>	\$74,000	\$74,000	\$78,000
<b>CSFs</b>	Pass	Pass	Pass
<b>Investment Objectives</b>			
Respond to climate change, and other Crown objectives	3	3	3
Increase pace of build-ready land to optimise density	3	3	3
Enable appropriate mix of public, market, and affordable housing	3	3	3
Enable critical infrastructure that improves wellbeing and provides capacity	3	3	3
Provide opportunity to partner with iwi to realise aspirations	3	3	3
<b>Investment Objectives Score</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
<b>Benefits</b>			
More people are moved into warm, dry, healthy and safe public housing	3	3	3
More affordable houses will be built	3	3	3
Sustainable and thriving communities resulting from taking a whole-of-community approach	3	2	3
Cultural values and traditions are supported in an inclusive community	3	3	3
Infrastructure is designed and built in a manner that reduces the potential environmental effects	3	3	3
Dwellings are delivered at a faster pace than they otherwise would be	3	3	3
<b>Benefits Score</b>	<b>3.00</b>	<b>2.83</b>	<b>3.00</b>

Whilst option 2 has increased state housing and less market, the net costs are the same due to state and market sales rate being the same. The net cost of option 3 is higher. Increasing the percentage of affordable housing, as shown in Option 3, is expected to have a negative effect on superlot sales revenue. This is due to:

- The potential for some developers to view a superlot with increased affordable yield as having a negative effect on market home values. This could reduce land price offers within the area.
- Affordable homes having a disproportionate effect on developers’ margins. For example, a 10% change in affordable yield could have a 20% change in margin).

Therefore, Kāinga Ora has assumed that a 10% increase in affordable yield will result in a 5% decrease in market/affordable superlot sales rate.

The three options scored the same against the Investment Objectives and scored highly against the benefits, showing that any of the three options would deliver the intended outcomes of the investment. It is important to have an appropriate balance of housing types to best ensure community wellbeing.

Option 2 was determined to only partially meet the criteria for providing the benefit of a sustainable and thriving community, as a higher percentage of state housing puts greater pressure on wraparound services, with a higher concentration of vulnerable tenants.

## 2.5 Preferred Way Forward

The preferred way forward for the HAF investment in the Roskill LSP is to proceed with the Development Plan option. The Development Plan option (option 1) has been selected over option 3 as it has a lower cost to Crown, but also allows for increased affordable housing in the future if further investment is available.

As this precinct business case is only seeking direction and funding for a portion of a 20 year programme, there is future optionality, and a different approach could be taken in later parts of the programme.

Under the preferred option for the four neighbourhoods, 1,130 existing state homes would be removed to enable a total of 6,250 homes, seen in Table 15.

**Table 15 Output for Roskill under the Development Plan option (in scope neighbourhoods only).**

Area decontaminated & remediated (sqm)		789,741
Existing state homes set to be removed		1,130
Number of potential homes to be enabled:	Public Housing	2,241
	Affordable/Market	4,009
	Total	6,250
Public housing growth		1,111 or 98%

### 2.5.1 Cost Benefit Analysis

Kāinga Ora has engaged Morrison Low, in partnership with NZIER, to provide an update of the economic valuation or cost benefit analysis (“CBA”) for the preferred option for Mangere, Roskill and Tāmaki. Morrison Low reviewed and updated the previous modelling that was undertaken by NZIER and Principal Economics to ensure that benefits and benefit attribution were sufficiently robust and adequately grounded in evidence or empirical studies.

The results of the CBA are shown in the table below and evaluates the net benefits of the LSPs in comparison to the Status Quo. In Morrison Low’s view, these findings are consistent with Treasury’s CBAX framework and Better Business Case guidance.

Table 16 CBA summary

Results	Roskill	Mangere	Tāmaki
Total benefit	5.00	3.65	2.58
Net benefit	2.38	1.87	1.18
BCR	1.9	2.0	1.8
NPV (net present value per \$ invested)	0.9	1.0	0.8

The costs used in the CBA are consistent with the HAF 5-year view and the values presented in the Financial Case. Morrison Low has used a 30-year period to evaluate the benefits as per Treasury Guidelines. The following benefits in the CBA were identified and monetised for existing tenants:

- Education
- Employment
- Affordability
- Good neighbourhood design
- Accessibility
- Public transport
- Safety
- Sense of cohesiveness
- Amenities
- Warm house
- Less crowding
- Economic activity in town centre

For Roskill the three largest benefits were good neighbourhood design (noise), affordability and amenities. This is shown in the figure below. The full details and results of the CBA are included in Morrison Low’s Benefit Costs Analysis report.

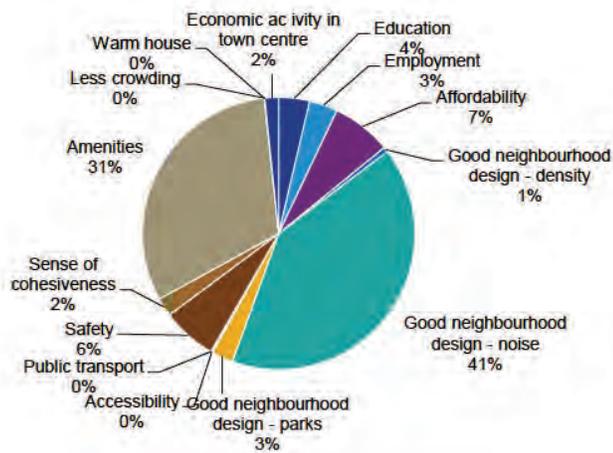


Figure 13 Roskill CBA benefit breakdown.

### 2.5.2 Oranga Precinct

This precinct business case captures project scope changes, market pricing movement, civil construction details and funding approval required for Stages 5-7 of the Oranga development to bring the land development activities to conclusion.

The proposed yield in the approved Oranga Master Plan exceeds the maximum set under the Auckland Unitary Plan (AUP). For MHU, the maximum set in the AUP is 60 d/ha and the masterplan allows for 80 d/ha. For MHS, the maximum under AUP is set at 33 d/ha and the masterplan allows for 43 d/ha.

The additional density was based on the masterplan that was agreed with Auckland Council based on reviewing the layouts of each superlots. It will provide more housing in a prime location in central Auckland where demand is high. The density was also agreed on the basis that good urban design will not be compromised and that connectivity to existing parks and amenities will be improved.

The masterplan reflects the base yield inputs used to support the infrastructure master list and is approved by CCOs. The Oranga development comprises 413 state homes, of which the land they sit on will enable a total of 1,300 new homes, shown in Table 16.

**Table 17 Total output for all stages of the Oranga LSP<sup>2</sup>.**

Area decontaminated & remediated (sqm)		210,284
Existing state homes set to be removed		413
Number of potential homes to be enabled:	Public Housing	433
	Affordable/Market	867
	Total	1,300
Public housing growth		20

### 2.5.3 Risk Management and Scope Stability

A 3-Point Estimate has been completed for each Precinct and the inherent uncertainty in rates and quantities has been assessed and analysed. This level of detail has since been summarised and included in the Kainga Ora Active Risk Manager Software (ARM) for further analysis.

Concurrently, a full review and quantitative assessment of each Precinct risk register and the Neighbourhood risk registers has been undertaken by the Precinct and Neighbourhoods teams, led by Integr8ted Projects NZ Limited to ensure alignment with each Precincts estimating assumptions and delivery constraints. The Precincts Discrete Risk registers have been included in the ARM system for further analysis alongside the Inherent Risk assessment. Each analysis has been completed on the inherent risks and 'active' discrete risks and opportunities.

<sup>2</sup> The output is based on the proposed 2021 Reforecast which has an increased yield from the 2019/2020 Momentum Funding Paper.

The results of the quantitative risk analysis (QRA) have been summarised below and provide the quantum of contingency required for the Roskill and Oranga precincts in order to have the following levels of confidence in successful delivery:

P value / level of confidence	Total contingency needed to meet confidence levels for Roskill precinct <i>(note – excludes escalation)</i>	Total contingency needed to meet confidence levels for Oranga precinct <i>(note – excludes escalation)</i>
P5 (5%)	\$63m	\$19m
P50 (50%)	\$110m	\$36m
P70 (70%)	\$157m	\$42m
P80 (80%)	\$187m	\$45m
P85 (85%)	\$206m	\$47m
P90 (90%)	\$229m	\$49m
P95 (95%)	\$263m	\$52m

The Kainga Ora LSP Portfolio will allocate a P50 level of contingency to each precinct as an allowance for the planned (inherent) and unplanned (discrete) risks associated with delivering the scope of works required to achieve the agreed outcomes. This level of contingency is adequate as the scope of works are being completed in an Alliance framework with Piritahi, who are considered a high-performing team of risk mitigators.

Further contingency provisioning could also be held outside of the LSP Portfolio (typically by the funding streams), which could be used to fund identified risks – such as escalation – that may eventuate and cause impacts beyond the P50 level of provision. Waka Kotahi and KiwiRail utilise this model effectively by allocating provisions to their projects at the mean and P50 exposure points and retaining the P95 (funding risk) portion centrally.

# 3 | Commercial Case



## 3 Commercial Case

The purpose of the commercial case is to establish the optimal approach for delivering the preferred way forward (established in the economic case). It sets the commercial principles that will be used through delivery and then covers:

- The scope of works being procured
- Roles of parties in delivering works
- Commercial arrangements that are already in place, including the Piritahi Alliance
- Commercial risks and how they are allocated
- Intentions for future procurements
- An assessment of the current market

### 3.1 Introduction

This commercial case specifically focuses on the commercial approach for the four Roskill neighbourhood developments and development within the Oranga precinct that are within the scope of this Programme Business Case. The Roskill neighbourhood developments in scope are Roskill South, Ōwairaka, Waikōwhai, and Wesley West. Development in Oranga is already underway, as are three of the four Roskill neighbourhoods (with some new homes either complete and tenanted and/or under construction), and one of the Roskill neighbourhoods is in masterplanning.

This commercial case sets out commercial arrangements that are already in place and identifies commercial decisions still to be made. The majority of works will be delivered through commercial arrangements established by Kāinga Ora, however some works may be delivered directly by asset owners (e.g. Watercare) and therefore would use the asset owners' delivery models. This will depend on the type of work and would be agreed between Kāinga Ora and the relevant asset owner. Given the extent of commercial arrangements that are already in place, this commercial case documents the procurement processes that have been run in the past, the terms that have been agreed, and how Kāinga Ora will optimise the use of these arrangements to ensure value for money through the delivery.

Future procurement decisions will incorporate a commercial procurement approach as well as a social procurement approach, in line with Kāinga Ora's social and sustainable procurement strategy, Pā Harakeke (see Appendix I for more detail). The strategy is inclusive of government procurement rules and brings a people and environment centred focus to cultivate positive social, cultural, economic, and development outcomes for the communities.

#### 3.1.1 Kāinga Ora's Role in Shaping the Land Development System

There is a role for Kāinga Ora to play both into the system and on the system through promoting and contributing to the things that will enable the system to act as one; for example through coherence of vision, shared understanding of system levers, and shared information and consistent indicators of success. Kāinga Ora has relatively few levers in demand as most of these levers in addressing the demand side sit within policy, legislation, tax, and interest rates – and in other systems (for example returns to non-housing assets). With this business case, Kāinga Ora can leverage the following tools to influence the supply side of the land development system including;

1. Developer confidence in the pipeline. Visibility of and commitment to the up-coming development pipeline (assurance of time, surety of investment, clear pathway for delivery)
2. Smoothing the economic cycle. Buffering the market from cycles by being creative during troughs, and using its assets and its longer-term planning horizons to continue investing.
3. De-risking development and innovation. Leading innovation through quality and buying signals to the market, including leadership by example in sustainable methods, materials and technology.

4. Integrated planning and decision making. Collaborating with the broader pipeline and infrastructure parties to smooth decision-making and address information asymmetry

Kāinga Ora is a scale player in an industry characterised by small providers. This means its core delivery has a significant impact on outcomes, and affords an advantaged position to take risks, pursue innovation and quality, and shape the capacity, capability and outcomes of the market directly and indirectly through what it does and what it commissions within the constraints of the Public Finance Act.

### 3.1.2 Commercial principles

Kāinga Ora seeks value for money in all its investments. This is achieved through analysis of the investment characteristics and the context of the local market to ensure the preferred procurement approach is the best suited to deliver competitive pricing and quality outcomes. Kāinga Ora incorporates the following frameworks when designing its commercial and procurement approaches:

- The Government Procurement Rules and Regulations (see Appendix J for more detail).
- Kāinga Ora's Investment Management Framework
- Kāinga Ora's Social and Sustainable Procurement Strategy, Pā Harakeke

The most recent Government Procurement Rules were published in October 2019. They are designed to support good market engagement, with a focus on the importance of open competition. The updates are designed to achieve wider public outcomes for New Zealand, including improving the construction industry's performance and resilience. In particular, the procurement rules require public organisations to consider broader outcomes (social, environmental, cultural, or economic) that arise as a result of procurement and delivery of a project.

### 3.1.3 Relationships with Ngā Mana Whenua o Tāmaki Makaurau

Kāinga Ora's Social and Sustainable Procurement Strategy embraces procurement opportunities for Māori. There is a significant opportunity for Ngā Mana Whenua o Tāmaki Makaurau to play a central role in the delivery of housing in Roskill and Oranga. Kāinga Ora's obligations to Māori are set out in the Kāinga Ora – Homes and Communities Act 2019, and its requirements to partner with Māori through the lens of Te Tiriti o Waitangi.

Mana whenua entities will be engaged at the earliest opportunity to help them determine whether they wish to pursue commercial opportunities.

## 3.2 Scope of works being procured

This section sets out the scope of activities that will be procured to deliver the Roskill and Oranga developments within the scope of this Programme Business Case, how works will be packaged up, and the forecast schedule of when each package will be procured and delivered.

The neighbourhoods within the scope of this programme business case will enable around 6,200 new homes in Roskill and 1,300 in Oranga. The scope of activities to be procured cover design, consenting, removal of homes, site remediation, civil works and then a commercial process for the sale of superlots. These activities will take place over a long period and therefore this commercial case sets out a framework that must remain flexible for Kāinga Ora to be able to respond to changing market conditions.

### 3.2.1 High-level schedule of works

The Roskill Development Plan 2020 outlines the high-level schedule of works that needs to be delivered as part of the Roskill Development. The following services need to be procured for the neighbourhoods within scope to deliver these works:

- Urban design and masterplanning consultants
- Engagement with mana whenua
- Infrastructure design and delivery (see Appendix K for a detailed list):

- Urban planning, civil design and consenting
- Geotechnical engineering
- Cultural values and impact assessments
- Project management and cost management
- Site clearance and remediation of land
- Civil infrastructure construction
- Other consultant services (including market and economics reporting and legal support)

### 3.2.2 Development progress and timing of procurement

#### 3.2.2.1 Roskill

The Roskill Development as part of this Programme Business Case comprises four neighbourhood developments:<sup>3</sup>

- Ōwairaka
- Waikōwhai
- Wesley West
- Roskill South

Roskill South and Ōwairaka are already well into development, with homes either completed and tenanted or under construction in all superlot stages<sup>4</sup>. Onsite redevelopment for Waikōwhai has already started and in Wesley West design and masterplanning is underway, with onsite redevelopment expected to start in 2022.

#### 3.2.2.2 Oranga

Oranga is also into development for the first three of its seven stages. Infrastructure upgrades started in February 2021 and is currently underway.

Appendix L contains an update on progress within the neighbourhoods in scope.

### 3.3 Roles of parties in delivering works

There are a number of parties involved in delivering works for the Roskill and Oranga neighbourhoods in scope and the relationship needs to be collaborative so that planning and delivery can happen in a coordinated way. The parties/asset owners comprise:

- Kāinga Ora:
  - Responsible for value creation with regards to masterplanning, Māori engagement, place-making, community building and land sales and overall project management and coordinating delivery via its civil alliance partners and contractors.
- Market builder partners:
  - Responsible for the delivery of open market KiwiBuild/affordable housing and other secure tenure models of housing (e.g. Build-to-Rent)
- Council-controlled organisations (CCOs):
  - Auckland Transport – responsible for providing future-focused roading and quality, sustainable transport options

<sup>3</sup> There are 12 neighbourhoods within the Roskill precinct development that are outside the scope of this programme business case: Mt Albert East, New Windsor, Malcolm & Roma, Roskill South, Sandringham, Balmoral, Dominion Road, Three Kings, Mt Roskill Schools, Warren Ave & Carr Road, Keith Hay, and Hillsborough.

<sup>4</sup> See Section 3.4.2.2 for more detail around disposal of land, selling of superlots, and construction stages.

- Healthy Waters (in Auckland Council) – responsible for leading stormwater management
- Watercare Services Ltd – responsible for water and wastewater services, including upgrading and/or renewing parts of the existing Watercare infrastructure

### 3.3.1 Delivering neighbourhood infrastructure

Physical works within a neighbourhood are generally comprised of all asset types: including transport, water, wastewater, stormwater, and parks. The overlapping nature of the asset types generally dictates that they be delivered together. Coordination is key to drive project efficiencies, achieve economies of scale, and ultimately deliver best outcomes for the respective asset owner/operator. As Kāinga Ora is leading the LSP programme and already has a presence in the neighbourhoods, Kāinga Ora is best-placed to deliver works within the neighbourhoods.

### 3.3.2 Delivering precinct infrastructure

The precinct approach entails developing the scale of infrastructure that is required to support multiple neighbourhoods and a much larger beneficiary catchment than one neighbourhood. For this reason, delivering precinct infrastructure is generally achieved through much larger and more asset specific, projects, than is the case when delivering physical works within a neighbourhood. The delivery agent is best-agreed on a project-by-project basis to ensure that the infrastructure is delivered by the agency that is best placed to deliver and manage the associated risks (and has agreed to do so).

There are two ways that precinct infrastructure will be delivered:

- Delivery by Kāinga Ora, with the majority of works delivered by a contracted partner, i.e. Piritahi.
- Delivery by an asset owner (e.g. Watercare) through their own procurement and delivery models.

If Crown funding is involved but Kāinga Ora is not delivering the infrastructure (and it is delivered by one of the CCOs for example), Kāinga Ora would have a monitoring role over the procurement and delivery, but not a role in the procurement evaluation panel.

## 3.4 Commercial arrangements in place

Development is already underway on a number of neighbourhoods and therefore commercial arrangements are already in place for masterplanning, civil works, and for land sales. As the neighbourhoods within the scope of this business case are a long-term development programme, Kāinga Ora will continue to review its commercial arrangements to ensure they continue to meet the needs of the programme and deliver value for money.

The most significant existing commercial arrangement is the Piritahi Alliance (Piritahi) that has been established for the delivery of civil works across all Auckland LSPs. Piritahi is a programme alliance that at any one time is managing 50-80 projects at various stages. More detail is provided below on the scope of activities Piritahi delivers, how it was originally procured, how Kāinga Ora engages with Piritahi through delivery and how risks are allocated.

While some procurement decisions have already taken place, there are procurement decisions that still need to be made. Going forward, Kāinga Ora will continue to use the Piritahi alliance model, though Kāinga Ora has also maintained the flexibility to use alternative procurement routes should they be required, including traditional, design and construct, or Early Contractor Involvement.

Kāinga Ora will make decisions about when to use Piritahi and when to use a different approach at the appropriate stages and, where appropriate, after consulting with the relevant asset owners. Ultimately it will determine the preferred procurement route which best serves to deliver the strategic objectives, drive collaboration, value for money, and economies of scale. Decisions will be made in line with commercial procurement objectives, the Pā Harakeke social procurement strategy, and the Government Procurement Rules and Regulations.

### 3.4.1 The benefit of taking a portfolio approach

The infrastructure required across not only the Roskill and Oranga neighbourhood developments in scope, but all the LSPs across Auckland, is significant. Although, geographically different, there is commonality in the type of work that

needs to be undertaken in each development and therefore a coordinated commercial approach is being used across the portfolio of Auckland LSPs.

To achieve the best outcome, planning and delivery needs to be collaborative and well-coordinated, and there are efficiencies in delivering infrastructure together. These portfolio efficiencies are being delivered in two ways:

- Collaborating between asset owners to plan, design, and schedule the delivery of infrastructure; and
- Procuring an Alliance for the design and construction of infrastructure projects across all Auckland LSPs (where Kāinga Ora is responsible for delivery).

#### 3.4.2 Piritahi Alliance

An alliance is a delivery model that brings together the client (Kāinga Ora) and multiple parties to work together to deliver a project, sharing project risks and rewards. Alliances are used for highly complex or large infrastructure projects that would be difficult to effectively scope, price and deliver under a more traditional method. The model has been used in New Zealand, for example City Rail Link Limited has an alliance and Auckland Transport is using an alliance for the Eastern Busway.

In 2017-2018 the former HLC undertook a robust process that assessed multiple procurement approaches against HLC's strategic objectives. An alliance agreement was selected as the preferred option for the design and construction requirements for the LSPs.

Piritahi was the successful alliance selected and formed through the procurement process. It comprises the following delivery partners:

- Construction consortium:
  - Dempsey Wood (Civil Construction)
  - Hick Bros Group (Civil Construction)
- Design consortium:
  - Harrison Grierson (Survey, Design and Consenting)
  - Tonkin and Taylor (Environmental and Engineering)
  - Woods (Engineering, Survey and Planning)

The alliance model increases the opportunity of collaboration and coordination. At a high level, the scope of Piritahi is to prepare land for development and manage the delivery of new and upgraded infrastructure and amenity on behalf of Kāinga Ora. The Piritahi Alliance Board has recently signed off a Mana Whenua Engagement Framework which provides guidance in relation to Te Tiriti o Waitangi partnership and Kāinga Ora Māori operating principles obligations.

Piritahi's responsibilities include the removal of old houses, site remediation, consent applications related to earthworks and infrastructure, detailed design for civil works and landscaping, construction of roads, parks, and utilities. Piritahi will also engage with the community as it relates to their construction activity where it impacts local roads, reserves and infrastructure. Aggregating the infrastructure work into one alliance gives advantages such as procurement leverage and consistency of design and construction across the whole programme. Using an alliance model also increases the opportunity for collaboration and innovation, either during scoping, design, consenting or construction, as all parties are incentivised to solve problems together as all parties share in both risk and opportunity. Sections 3.4.2.3 and 3.4.2.4 contain more information about Kāinga Ora's relationship with Piritahi and allocation of risk.

Piritahi was selected as the preferred procurement approach on the following basis:

- Value for money
- Managing the complexity and scale of delivery
- Mitigating scale of the delivery risk
- Funding availability and maximising advantage of existing organisational structures both within HLC and within external supplier organisations to ensure delivery
- At the time, the cost to set up the services or even the management roles within HLC was unrealistic and cost prohibitive.

Piritahi was originally set up for the purpose of 'scale and pace'. As with all long term collaborative contracts, especially those that have seen a change in the make-up of their Owner Participant (HLC to Kāinga Ora), needs and required outcomes change, and in August 2021, Piritahi set a new purpose 'Repeatable, Efficient, Inclusive'. This was an acknowledgement of the work done by Piritahi to date but pivoting to a focus on bedding in good cost drivers, re-using efficient design and construction techniques, and ensuring Kāinga Ora was an active Alliance Participant.

HLC entered into a five-year contract in December 2018 which is due to expire in December 2023. The contract allows for a three-year extension and the possibility of further extensions beyond this. In the event that Piritahi is discontinued as Kāinga Ora's alliance partner, the Roskill and Oranga Delivery Teams would procure relevant consultants and contractors in accordance with Kāinga Ora's Pā Harakeke procurement strategy.

#### **3.4.2.1 Process for turning a brief into physical works**

There is a set process for turning a brief into physical works within the LSPs. The neighbourhoods within a precinct are identified in line with the overall LSP and form part of the development plan. A neighbourhood plan is required to be developed for each neighbourhood.

A neighbourhood plan comprises two parts:

- Neighbourhood masterplan (urban design)
- Neighbourhood infrastructure plan (civil engineering and physical works)

These two plans are inherently linked and developed concurrently.

The neighbourhood infrastructure plan is 'briefed' to the civil designers. The civil designers are either part of one of Kāinga Ora's alliances or procured separately. This brief has a set of minimum requirements which set out the deliverables, and expectations for those deliverables. It includes technical items such as a concept design plan, stormwater management plan, and water servicing plan. It also includes an order of magnitude estimate, which is a high-level, risk-inclusive estimate to complete the work, along with a programme and staging plan.

The neighbourhood infrastructure plan then forms part of the neighbourhood business case, along with all the other documentation required. On approval of the business case, a stage is then 'briefed' to the civil designers. The civil designers proceed with developing a detailed design and pricing package. This is a collaborative process with Kāinga Ora to ensure the outcomes align with Kāinga Ora's outcomes. At the end of this process, a contract pack is produced, which in the case of the Alliance, would include the cost and risk schedule and form the contract between the parties which is a Targeted Outturn Cost (TOC).

#### **3.4.2.2 Targeted outturn cost (TOC) process**

Targeted outturn costs (TOCs) are set by joint development of project pricing between the alliance participants (including Kāinga Ora). There is a set process for how TOCs in Piritahi are developed and then approved through governance. At a high level, this process consists of five key steps:

- Kāinga Ora brief and TOC development proposal
- Pricing pack design

- TOC budget development
- Kāinga Ora approval
- Project Alliance Board (PAB) approval

There is an independent TOC assurance process to provide additional information into the PABs approval process. The TOC is concurrently priced by the independent estimator to provide assurance and an independent comparator. This is then compared and reviewed in collaboration with Kāinga Ora to ensure that the price is competitive, risks are considered and weighted appropriately, and programme durations are robust. Following the review, Piritahi obtains a letter from Kāinga Ora advising Kāinga Ora's view of the contracting amount. Piritahi then provides a submission to the PAB which includes Kāinga Ora's letter. The PAB is made up of members from all companies within Piritahi, including Kāinga Ora. Provided a unanimous decision is made, the PAB agrees the TOC value and the contractual commitment is then made for Piritahi to commence with physical works on site.

Note that Piritahi intends to update the TOC process as part of the next quarterly update to process documents in October 2021. This would reflect the Programme Control Group (PCG) and delegated financial authority approving the TOC before it goes to the PAB.

#### 3.4.2.3 Kāinga Ora's relationship with Piritahi

To understand the risks to Kāinga Ora, it is important to understand Kāinga Ora's relationship with Piritahi. Kāinga Ora is both Piritahi's sole client and a member of the alliance.

While Kāinga Ora plans and manages large suburban re/developments on behalf of the government, Piritahi's role is to design and deliver the infrastructure, civis and amenity to the redevelopments on behalf of Kāinga Ora. Piritahi is responsible for the following:

- Site investigations
- Engagement with mana whenua
- Consents related to earthworks and infrastructure
- Detailed design for civil works and landscaping
- Removal or relocation of housing including asbestos management
- Site remediation
- Infrastructure and Civil construction

The benefits of an alliance allow Kāinga Ora to focus on value creation with regards to masterplanning, scope refinement, place-making, community building, and land sales. Specifically, it allows Kāinga Ora to:

- Streamline land development
- Bring greater cost-effectiveness
- Harness industry expertise
- Provide certainty of delivery
- Allocate and manage risk
- Innovate and develop industry capability
- Procurement efficiencies
- Collaborate for effectiveness
- Provide flexibility
- Learn and continuously improve
- Ability to commit capital investment.

#### 3.4.2.4 Piritahi as a shared-risk model

The Piritahi Alliance contract is a collaborative design and build contract. This requires Piritahi, once the TOC is in place, to own and manage risks associated with civil design, consenting, and delivery, noting, as above, that Kāinga Ora is a member of Piritahi and therefore shares this responsibility.

However, the commercial framework is complex, and although Piritahi is a shared-risk model, Kāinga Ora still keeps an element of contingency. One of the main principles is that Piritahi will always be reimbursed for costs on works that have been agreed by Kāinga Ora. This means that should a TOC, which is the agreed contract price, be exceeded, Kāinga Ora is required to pay for these costs<sup>5</sup>. Kāinga Ora therefore still needs to retain some contingency (risk costs) to account for this. In principle, this should be a considerably reduced contingency compared to a traditional model.

Prior to a TOC being set, all risk sits with Kāinga Ora, hence the contingencies are higher during this phase of works. Agreements with CCOs and asset owners, regarding scope of works are managed by Kāinga Ora to align expectations with outcomes (and therefore budgets), despite works being designed by Piritahi.

#### 3.4.3 Land disposal and commercial terms with developers

A strategy is in place to formalise how Kāinga Ora sells the land as cleared superlots to developers once existing homes have been removed or relocated and infrastructure is in place.

##### 3.4.3.1 Background

In 2017 HLC developed a Standard Operating Procedure (SOP) for land disposals. The purpose of the SOP was to describe and formalise an operating procedure that had already been standard practice for selling HNZ or Crown land.

The document was drafted when the land sales process was undertaken under HLC. Although it has not been updated to recognise Kāinga Ora as the entity, and the approvals process has not been amended, it does provide a general overview of the land disposal process that is currently undertaken.

##### 3.4.3.2 Allocation and sale of superlots as stages

During the neighbourhood planning stage, a masterplan is divided up into public and market superlots. This is done in collaboration with the Kāinga Ora Regional Place Based Team and in such a way to cluster pot state and market sites throughout the development.

Superlots are delivered to the state house construction arm of Kāinga Ora's Construction and Innovation Group (CIG) and to the market as cleared sites, with removal of the existing properties undertaken and relevant infrastructure capable of delivering the masterplan yield provided up to the boundary of the superlot. This work is undertaken by contractors (managed by UDD). Within each LSP, the release of superlots is divided into stages, with each stage programmed to allow for a suitable duration that takes into account community impact, land supply and any agreements in place, and appropriate risk profiles of the contracting party.

When a stage is ready to go to market, a land sales strategy for that stage is drafted and approved via the Programme Control Group. This determines how the superlots will be marketed, sets the affordable housing target in line with the neighbourhood business case, sets the land price target (and how this compares to the approved business case), and seeks approval for any other parameters to be followed.

##### 3.4.3.3 Developer selection process

An Information Memorandum (IM) is then drafted setting out the objectives of the masterplan for that LSP, as well as details on location, typology, requirements for bids (sometimes including a minimum price), and the relevant

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<sup>5</sup> The target outturn cost (TOC) is the estimated total cost of undertaking a project, which includes direct costs (for example, investigations, consents, land purchase, design, construction, and commissioning), overheads, and profit margins. See Section 3.4.2.2 for detail about how TOCs are developed and agreed.

assessment criteria for each application from developers. Each assessment criteria carries a different weighting. This varies depending on the LSP, but has recently included:

- Previous work of similar typology – 15%
  - Design and yield of proposal – 15%
  - Percentage of affordable offering – 15%
  - Price and commercial terms – 40%
  - Understanding of and examples of partnership with mana whenua – 15%
- Once approved, the IM is sent to Ngā Mana Whenua o Tāmaki Makaurau governance and management executives list two weeks in advance of the Invitation to Participate (ITP) developer list. This list consists of developers who have made an application via an online form and have been assessed as meeting a set of criteria that aligns with the outcomes Kāinga Ora is responsible for delivering. The general process is then:
- Respondents that wish to purchase any of the superlots in the IM must submit an application containing information to satisfy the criteria identified above.
  - An assessment process is undertaken by a panel to mark each application against the criteria and create a short list of preferred respondents for each superlot.
  - A negotiation strategy is agreed, and each respondent is approached to determine who will be the preferred respondent to work with on that superlot.
  - Should a respondent be selected that has not previously entered into an agreement with UDD, then a detailed due diligence (DD) process is undertaken to confirm that the respondent is financially sound and to identify any risk factors.
  - A term sheet and Development Agreement (DA) are entered into. The term sheet determines the commercial parameters of the deal and formalises the responsibilities of Kāinga Ora and the respondent, including meeting environmental outcomes, density and typology outcomes, Māori outcomes, and social procurement objectives.
  - There are no criteria that multiple lots must be purchased (unless specified in the sales strategy), so multiple respondents can be successful as part of each IM process.

Kāinga Ora's Urban Development and Delivery (UDD) group stays involved until the houses are sold to the end purchaser to ensure that the DA and masterplan are adhered to. Timing of settlement depends on the terms of the agreement, but it sometimes occurs when the houses are sold. The purchaser is required to update Kāinga Ora on its sales data so that it is known how many dwellings are ultimately delivered as affordable homes and market homes.

#### 3.4.3.4 Term sheet process

Once agreed by both parties, the commercial parameters are fed into the DA. The commercial parameters include (but are not limited to):

- Price and settlement details
- Yield
- Percentage of affordable (including KiwiBuild)
- Purchaser conditions and obligations
- Kāinga Ora conditions and obligations
- Marketing contributions
- Milestones to be met

The terms agreed are usually subject to board (or internal governance) approval of both parties. The ideal timeframe between term sheet agreement and the Development Agreement is 30 days, however this period is often extended.

The term sheet mirrors the specific terms that are included in the front end of the DA, which also includes the general terms of the different facets agreed to.

### 3.4.3.5 Review of Development Agreement process

The DA process is currently undergoing a review to ensure consistency across projects and introduce a form of automation and efficiency. The idea being that what is agreed in the term sheet will result in a DA that cannot be negotiated further, focusing the negotiation on the commercial terms only. As a result of this review, the term sheet may undergo some changes to reflect the final form of the DA.

### 3.4.4 Shovel ready funding agreements

In 2020 the Government provided funding to a range of infrastructure projects across New Zealand to accelerate delivery and provide fiscal stimulus. This was known as ‘shovel ready’ funding and projects within the Auckland LSPs received funding.

There are two existing shovel ready contracts in place that impact the Roskill LSP. The table below summarises the two contracts.

**Table 18 Summary of the two shovel ready contracts in place that impact Roskill.**

Contract title		Mt Roskill priority water and wastewater upgrades
Parties		Kāinga Ora and Watercare
Scope		La Veta Bulk Supply Point and new Watermain New Wesley Bulk Supply Point and new watermain on Stoddard Road May Road WW Pipe Upgrade Marion Ave BSP upgrade Wesley Wastewater Network Upgrade Mt Albert Reservoir to Westley water supply main upgrade Wesley Branch 9 Wastewater Pipe Upgrade Hillsborough Water Supply Pump Station and associated new watermains Central interceptor - Kāinga Ora modifications
Commencement date		31 May 2021
Completion date		30 June 2024
Contract value		\$65 million
Contract title		Q1396: Ōwairaka development stormwater network provision Q1439: Roskill South housing infrastructure
Parties		Kāinga Ora and Auckland Council (Healthy Waters)
Scope		Ōwairaka Stormwater upgrade Freeland Reserve (Roskill South housing infrastructure)
Commencement date		Ōwairaka Stormwater upgrade (to be finalised following collaboration between parties) Freeland Reserve – 9 November 2020
Completion date		Ōwairaka Stormwater upgrade (to be finalised following collaboration between parties) Freeland Reserve – 28 February 2023
Contract value		Ōwairaka Stormwater upgrade (\$31.23 million) Freeland Reserve (Roskill South housing infrastructure) (\$10m - \$2m allocated to Auckland Transport project)

### 3.5 Commercial risks

#### 3.5.1 Risk allocation

As with any large-scale, long term project (or portfolio of projects), there are risks associated with the civil design, consenting, and delivery of the project across the different parties. There are also non-construction community risks, such as creating and maintaining the social licence to redevelop a community.

This section sets out the key delivery risks and non-construction risks that have been identified for the LSPs and are allocated through the commercial arrangements. The principle followed, is that a risk is allocated to the party best able to manage the risk. That is, the party has the expertise, resources and information to manage the risks efficiently and effectively.

Kāinga Ora considered the optimal risk allocation for the LSPs when it made the decision to use an alliance. This is the key commercial arrangement for allocating (and in this case, sharing) the commercial risks. The section above describes the risk sharing model of Piritahi.

#### 3.5.2 Potential delivery risks

There are a broad range of risks associated with any long-term land development and infrastructure projects. The likelihood and impact of these risks varies widely and include (but are not limited to):

- Fluctuations in the housing market (e.g. potentially resulting in a revenue gap between the sale price of a superlot and its market value)
- Funding availability
- Risks pertaining to the construction industry (these are discussed in Section 3.7)
- Urban development risks
- Changes to government policy, including around affordable housing, RMA/climate change and water reforms
- Issues with securing consents
- Unexpected events (e.g. environmental events, lockdowns, etc)
- Supply chain capacity constraints
- Escalation of materials and labour

#### 3.5.3 Non-construction risk

The delivery of the LSPs also involves risks outside standard construction risks. These are owned and managed by Kāinga Ora and include:

- Managing the impact on existing Kāinga Ora tenants
- Managing the relationship with mana whenua
- Managing community engagement and ensuring there is social licence to proceed with the neighbourhood development as intended
- Managing the interface with asset owners
- Managing the overall delivery of benefits

### 3.6 Intentions for future procurements

Kāinga Ora is continually looking to improve value for money and seek efficient and effective delivery. The works covered by this programme business case is a long-term programme and changes to the procurement approach are therefore expected over that timeframe. If making changes to the procurement approach, Kāinga Ora will take into account fit-for-purpose, capacity, risk, and CCO delivery partners. This section discusses areas of commercial innovation that Kāinga Ora is exploring for future procurement considerations.

### 3.6.1 Opportunities for long-term funding

The LSPs, with the funding term proposed under this business case, provide a significant opportunity to investigate innovation in planning, design and delivery of infrastructure and civil construction.

In general, all asset types are present in each neighbourhood. This, combined with Kāinga Ora having a lead role in the management of the LSPs, the longer-term funding, and scale of the programme allows collaboration in planning and design across agencies that would otherwise be time prohibitive. The LSPs allow short-term outcomes to continue to be achieved, whilst focussing on long-term opportunities. This is often not the case as differing funding models, competing objectives and the need for tangible outputs make these conversations unachievable.

The scale and programme of the construction activity also presents the opportunity to investigate delivery efficiencies, increased sector productivity and innovation in the physical delivery of works.

### 3.6.2 Land supply agreements

Kāinga Ora is also currently exploring land supply agreements as a more coordinated approach to selling superlots than the current land disposal strategy. These types of agreement will provide the development market surety of pipeline, enable private investment decisions to be made, thereby increasing market capacity, and will result in a more stable land value for future business cases. It should be noted however these types of agreements are subject to Kāinga Ora securing long term funding to deliver build ready land.

#### 3.6.2.1 Current inefficiencies

The current land disposal strategy operates on a stage-by-stage basis for each LSP. This results in a siloed sales process whereby each LSP effectively operates separately to others in its superlot sales. While, from a logistical perspective this staging is necessary for providing the required infrastructure, there is scope for the sales process to be more coordinated across the LSPs.

The current process eventuates in a lot of individual negotiations for each superlot within each LSP, sometimes with the same developer, meaning a developer could be negotiating in two locations at the same time but with UDD as one entity. An option to combat this inefficiency is to enter into land supply agreements with developers based on a visible pipeline of superlots across the wider LSP portfolio.

#### 3.6.2.2 Managing yield and typology

Land supply agreements exist in other areas of Kāinga Ora, mainly in the Construction and Innovation Group (CIG), who deliver state houses. These are typically builder-only deals, where CIG contract to provide a developer with a certain number of house-builds for the term of the agreement. Within UDD this would differ, because a supply agreement would be for land only, and the developer would have to then develop and build the houses in accordance with its own designs (that are acceptable to the Design and Review Panel).

This creates complications around managing yield and typology to fit within the masterplan and available infrastructure, as this level of detail can currently be controlled via individual negotiations. Any land supply agreement would have to retain the right to determine yield and design on each superlot, and Kāinga Ora would have to be able to determine which superlots would go to the developer under the supply agreement.

#### 3.6.2.3 Achieving market fairness

Other concerns stem around market fairness and providing too much benefit to one developer at the expense of others in the market. These concerns will be managed through a procurement process. Any land supply agreements would not be for all available superlots coming onto market, but pre-allocating a number of suitable sites to certain developers would create system efficiencies that would free up resource to allow the remaining superlots to be awarded to alternative (or smaller) providers.

This would achieve the following:

- Encourage new models and entities that provide affordable housing.
- Provide an opportunity for smaller developers to scale up without having to compete with larger developers (likely to be the beneficiaries of a land supply agreement).
- Provide greater scope for partnering with iwi and Pasifika communities to deliver fit for purpose housing.

The success of any land supply agreement rests on a visible and accurate pipeline of developable land coming onto market. If this can be achieved (and the procurement process managed), vast benefits from the use of land supply agreements could be realised.

### 3.7 Assessment of current market

This section provides an update on the current Auckland housing market, specifically recent trends in the Auckland land sales market and the current level of uncertainty within the Auckland construction sector. These trends provide insight into some of the risks and considerations for Kāinga Ora over the short to medium term. The scale and pace necessary for new infrastructure design and construction for all the LSPs is significant. The neighbourhood development within the scope of this programme business case is long term and market conditions will change over the next five years, reinforcing the need for Kāinga Ora to embrace a flexible commercial approach with its partners.

Land sales market

#### 3.7.1.1 Overview

In September 2021 PwC provided Kāinga Ora with a report on the Auckland residential market (15). The report presented a number of findings about the land sales market. The key findings are:

- Steady growth in the land sales market
- Cost increases in the construction market
- Land development costs will be affected by macro-economic drivers

#### 3.7.1.2 Land sales market has maintained steady growth

On balance, the development market in Auckland has maintained steady growth even following the emergence of COVID-19. There has been continued strong interest in development opportunities in Auckland and development economics have materially improved (as house prices have risen), though this is somewhat offset by increased construction costs.

The Auckland residential housing market has performed resiliently, with a strong increase in sales volumes and the median sale price year on year. Increases to end-product (house) prices have effectively increased the 'affordable' price that developers can justify paying for land, while retaining their required margin. This premium in end-product pricing effectively goes (almost) straight to land value.

Interest rates have been at record lows. This has resulted in materially lower retail lending rates and added to demand for housing. The reintroduction of 40% LVRs for investors from May 2021 has yet to demonstrate a strong cooling effect on the market similar to the trend after the initial introduction in 2016.

### 3.7.2 Construction sector uncertainty

#### 3.7.2.1 Overview

The New Zealand Building Industry Federation (NZBIF) describes the Auckland construction industry as experiencing 'rising building material costs, longer lead times to get imported building products, increased labour costs, and congestion in transport and global freight logistics' (16). These issues are exacerbated by COVID-19, with the full impact of the pandemic on the industry yet to be realised.

The situation is complex, and the industry has not previously experienced issues to this extent (17). This uncertainty makes it extremely challenging to forecast construction costs.

### 3.7.2.2 Increased demand for building supplies

Forecast demand for building supplies has been difficult. The building industry forecast 'tight times' after the March 2020 lockdown. As an example of flexibility, Fletcher Building slowed inventory (including insulation, plasterboard, steel products, laminate surfaces, piping, aluminium joinery, roofing, and flooring), as the company prepared to 'weather a very difficult storm'. However, instead there was an unexpected sharp increase in demand for supplies as New Zealanders confined to their homes during lockdown and working from home in the months following, decided to renovate, extend, and landscape. This compounded with the housing shortage, builders and developers building new homes, and a record number of building consents, is placing considerable pressure on the industry (18). Demand for supplies is not isolated to 2020; suppliers and construction partners had been finding it difficult to access materials prior to the 2021 lockdown. Restricted global supply chains meant they had comparatively little buffer stock, if any, prior to the 2021 lockdown and the situation has amplified.

### 3.7.2.3 Supply chain constraints

COVID-19 has highlighted the fragility of the New Zealand construction supply chain. According to NZBIF, New Zealand has 'dropped off' the global construction material supply chain. As an example, many global shipping and building supply companies have reviewed their business models post-pandemic. This has meant that New Zealand is no longer included in some supply routes, with supplies 'only getting as far as Australia' (17). NZBIF estimates that some projects are now facing delays as long as eight months.

Further supply chain issues include low global availability of shipping containers, and delays in unloading, inspecting, and clearing containers. This has meant an increase in shipping costs that flows into construction costs (19).

With a decrease in local manufacturing of supplies, increase in demand and changes in global supply routes, the industry has witnessed an increased cost of materials due to supply shortages and greater uncertainty in the forward work pipeline (20). Inevitably, these uncertainties have increased the difficulty to forecast expected overall costs.

### 3.7.2.4 Labour supply constraints

Shortage of skilled workers in the construction industry is a significant and longstanding issue. While there has been an increased effort to recruit, train, and retain workers in New Zealand, the industry is heavily reliant on immigration to fill demand and provide a buffer to assist with managing the cyclical nature of the industry. Having the border closed to new workers has contributed significantly to labour shortages. This issue is made more complex by the fact that labour productivity has grown slowly in the construction industry. This is likely due to lower average skill levels and lower capital intensity, relative to other industries (21). There are also predictions that the industry will lose experienced leadership as the workforce ages, adding to the view that current labour supply issues will persist, if not intensify, into the future.

### 3.7.2.5 Mitigating risks

The future of the construction sector remains uncertain (19). Nevertheless, the industry is navigating these uncertainties by having mitigation strategies in place.

The supply chain risks are being mitigated in several ways. This involves tracking individual shipping movements to know where materials are, increasing communication across the supply chain, and identifying alternative suppliers in case a longstanding historical supplier cannot deliver. Another strategy that is being widely accepted within the industry is purchasing componentry earlier; materials are being ordered and stored well before they are needed.

The labour supply risks can be mitigated by better managing the current workforce talent and keeping those in the sector highly motivated to stay working within it. Long-term retention is more likely to occur if building companies start creating a culture that recognises the need for a younger workforce (22).

Fletcher Building has adopted various risk mitigation strategies, including pricing disciplines, consolidation and automation of manufacturing and supply chains, and tracking and improving employee engagement (23).

By using these mitigation strategies, the sector is better equipped to manoeuvre the current uncertainties and more safely forecast costs.

### 3.7.3 Summary

The Auckland building industry is in a period of extreme uncertainty. The COVID-19 pandemic continues to evolve as a major global economic event, and it is difficult at the present time to take a view on the long-term impact of this issue on the wider economy. Whilst the residential (and residential land development) industry has shown strong resilience, supply and labour constraints are problematic.

A key success factor for the Roskill and Oranga neighbourhood development in scope is Kāinga Ora's ability to provide certainty of a continuous supply of builder ready land so that builder and developer partners can upscale and grow their capacity to build at pace. The uncertain market conditions make it difficult to provide development certainty and impact Kāinga Ora's ability to forecast cost escalation. For not only the Roskill and Oranga development, but all wider Auckland LSPs, this means Kāinga Ora must carefully manage risks and embrace innovation, flexibility, and collaboration in future commercial arrangements with its commercial partners.

# 4 | Financial Case



## 4 Financial case

The financial case assesses the affordability of the preferred way forward (established in the Economic Case) and assesses the affordability gap and potential funding options. It first defines the scope of activities covered by the investment and provides an overview of the costs and revenues. It then:

- Sets out the methodology and key assumptions for the revenue estimates
- Sets out the methodology and key assumptions for the cost estimates
- Outlines the approach to quantitative risk analysis and contingency
- Provides an assessment of the funding gap and fiscal implications

### 4.1 Scope of investment

This business case covers the costs incurred and revenue recognised for the four in-scope neighbourhoods and precinct works in the Roskill LSP as well as the Oranga LSP:

- Prior to 1 July 2021 (actuals)
- From 2021/22 to 2029/30 (forecasts)

Delivering large-scale urban developments is an evolving process and a number of factors, including external to Kāinga Ora, could change over the course of the LSP developments. As such, no revenues/costs are provided beyond this time horizon and these will be forecasted through future business case processes.

The LSPs have a mix of revenues and costs and this financial case presents a net cost position that requires Crown funding to bridge. LSP revenue includes the sale proceeds from land that is sold to developers or to the public housing arm of Kāinga Ora. Costs cover a range of activities that relate to the delivery of infrastructure and the preparation of land, for example, removal of existing buildings, site remediation, land acquisitions and marketing of superlots to developers.

As mentioned previously in this precinct business case, the costs associated with delivering housing on the land is outside the scope of the analysis.

### 4.2 Cashflow summary

A financial model has been developed which calculates the revenues and costs associated with the preferred way forward for the Roskill and Oranga LSP. Based on current forecasts and estimates, the anticipated cash flows for the Roskill and Oranga developments up to 2029/30 is presented in the table below. All values shown in the table are in New Zealand dollars, are not escalated and exclude GST.

**Table 19 Anticipated cash flows.**

Cash Flows (\$M)	Pre-FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Total
<b>Revenue</b>											
Superlot sale - market/affordable	\$ 9(2)(0)										741
Superlot sale - state											499
<b>Total Revenue</b>											<b>1,240</b>
<b>Costs</b>											
Land development											(925)
Precinct infrastructure											(207)
Other precinct costs											(151)
Starting rents											(513)
Contingency											(129)
<b>Total Costs</b>											<b>(1,925)</b>
CCO contribution											\$ 9(2)(0)
<b>Net Costs (excl. CCO contribution)</b>											<b>(685)</b>
<b>Net Costs (incl. CCO contribution)</b>											<b>\$ 9(2)(0)</b>

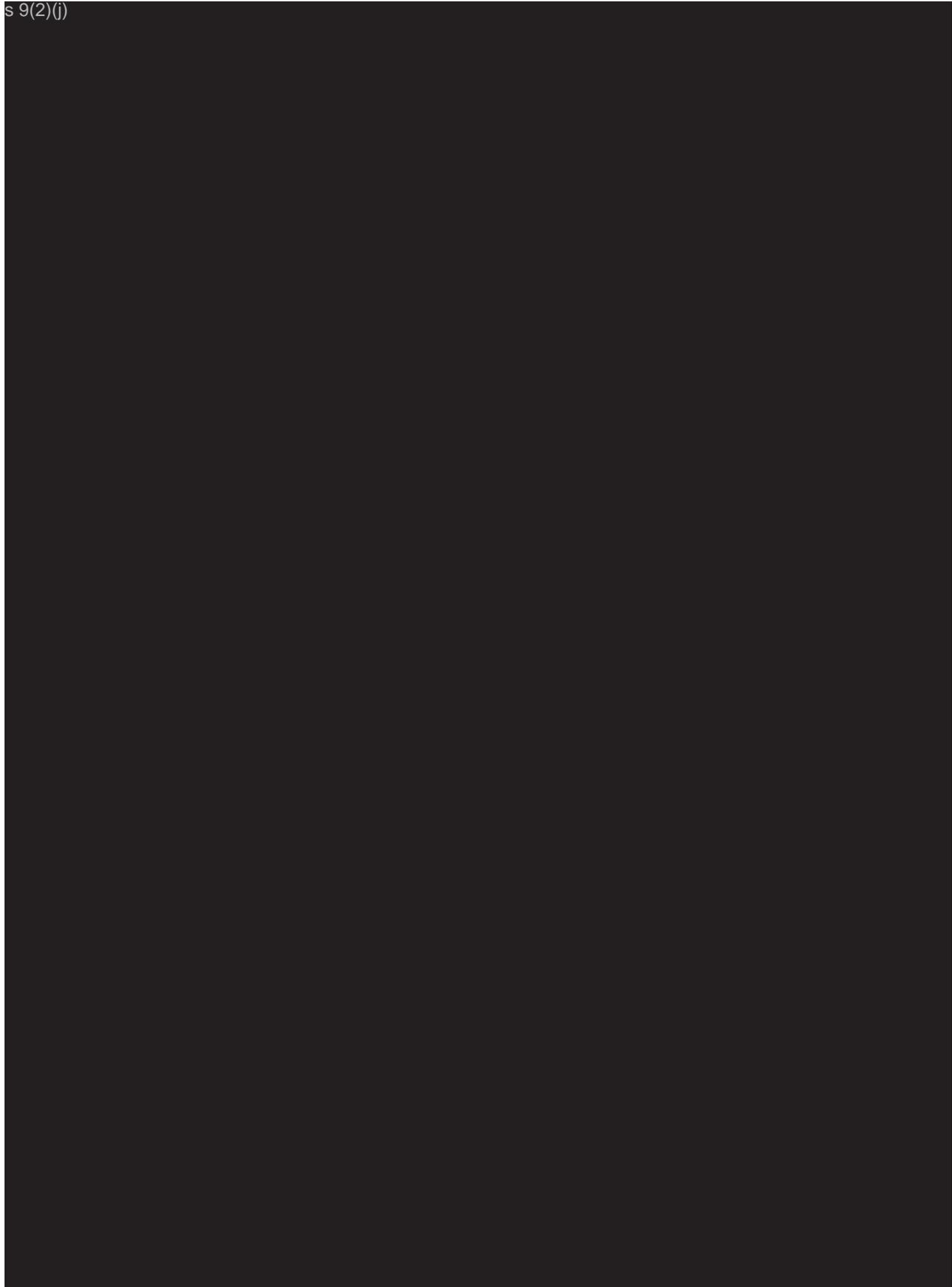
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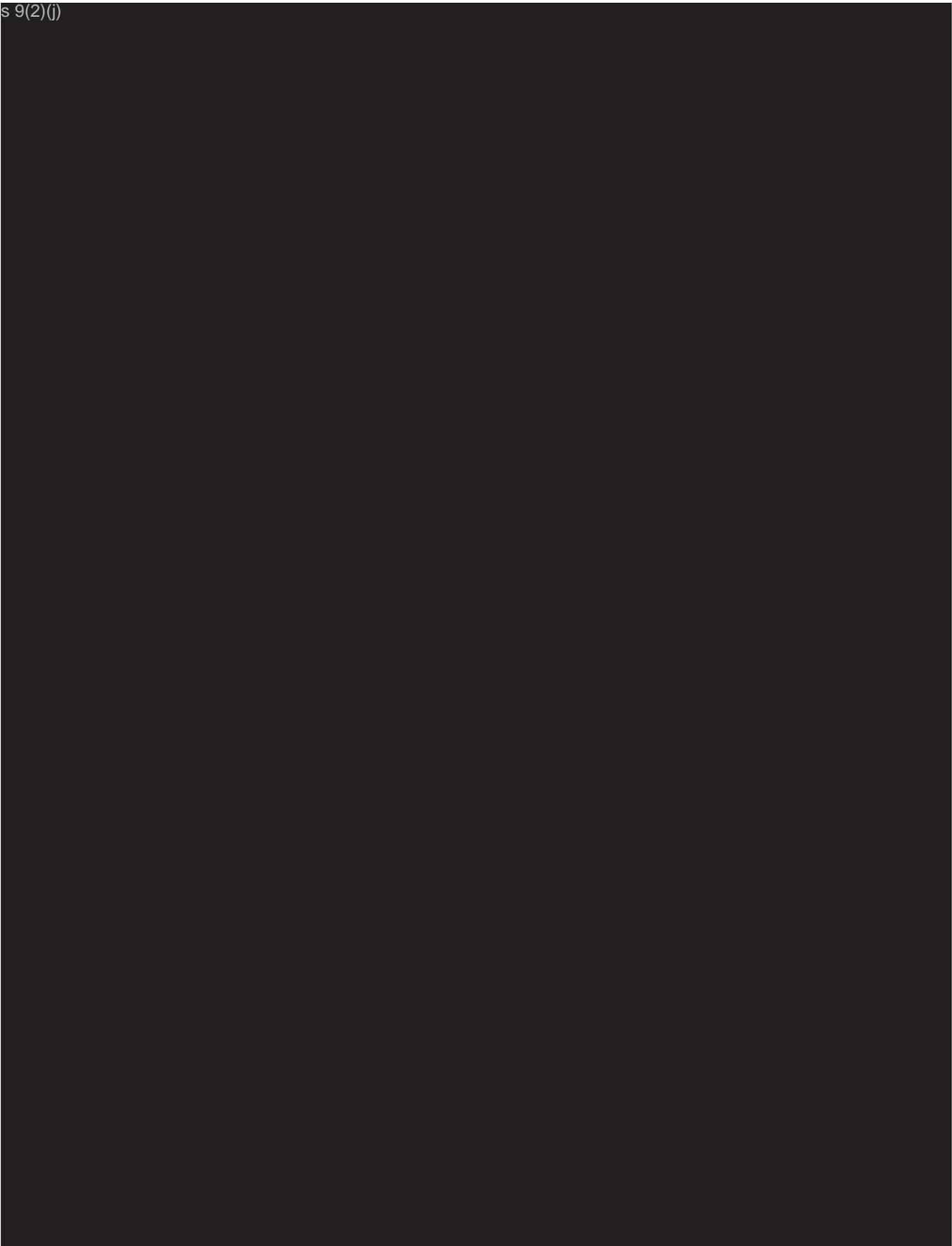
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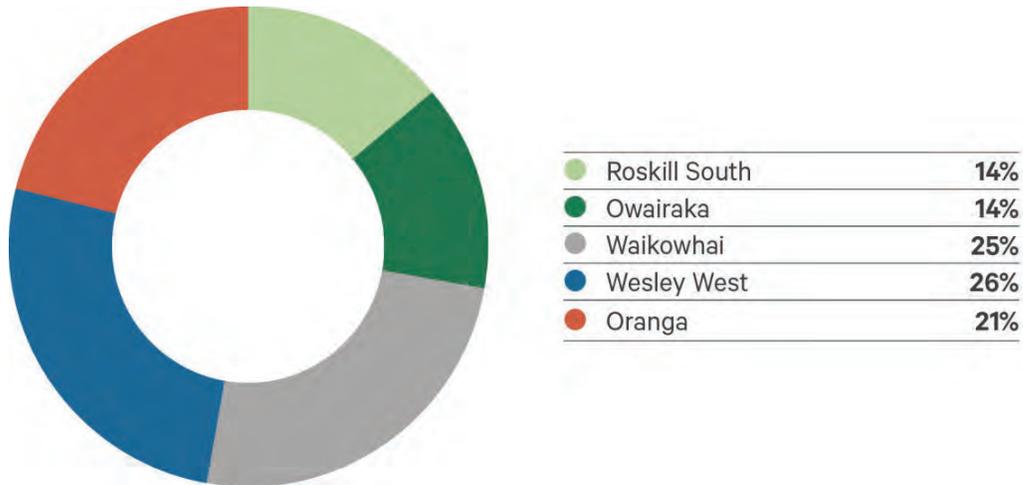
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## 4.4 Cost methodology

### 4.4.1 Land development costs

Land development costs includes removal of existing dwellings, remediation, and civil and infrastructure works that are within neighbourhood boundaries. The total land development cost can be divided into the neighbourhoods shown in the figure below.



**Figure 17 Land development cost by neighbourhood.**

A detailed breakdown of land development costs by neighbourhood is shown in the tables below. The composition of the total land development cost appears relatively consistent between the different neighbourhoods. Within each neighbourhood, the largest component of land development cost is from civils and infrastructure works.

Table 24 Breakdown of land development costs by neighbourhood.

Land Development Costs (\$M)	Neighbourhood				Total
	Roskill South	Ōwairaka	Waikōwhai	Oranga	
Acquisitions	\$ 9(2)(1)				167
Design and Professional Fees					89
Dwelling Removal					35
Decontamination & Remediation					88
Civils and Infrastructure (Neighbourhood)					435
Consenting - Land Development					15
Consenting - Environmental Controls					6
Vector & Chorus					50
Project Management (Oranga – inc Traffic management)					11
Tenant Relocation					3
Legals - Consenting					5
Security					0
General Marketing					15
Legals - Sales					0
Commission - Market Sales					(0)
Placemaking					5
<b>Total Land Development Costs</b>					<b>925</b>

**Table 25 Differences in land development costs between neighbourhood.**

Land Development Costs	Neighbourhood				
	Roskill South	Ōwairaka	Waikōwhai	Wesley West	Oranga
Acquisitions	6%	17%	22%	16%	24%
Design and Professional Fees	14%	13%	8%	8%	8%
Dwelling Removal	3%	2%	4%	4%	6%
Decontamination & Remediation	10%	10%	11%	11%	5%
Civils and Infrastructure (Neighbourhood)	58%	45%	44%	46%	46%
Consenting - Land Development	1%	1%	2%	2%	1%
Consenting - Environmental Controls	0%	0%	1%	1%	0%
Vector & Chorus	4%	7%	3%	7%	6%
Project Management (Oranga – inc Traffic management)	2%	2%	0%	1%	2%
Tenant Relocation	0%	0%	0%	0%	1%
Legals - Consenting	0%	0%	1%	1%	1%
Security	0%	0%	0%	0%	0%
General Marketing	1%	1%	2%	2%	2%
Legals - Sales	0%	0%	0%	0%	0%
Commission - Market Sales	0%	0%	0%	0%	0%
Placemaking	1%	1%	0%	0%	1%
<b>Total Land Development Costs</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The key assumptions of the land development costs, which were used in the financial model, are shown in the table below. These assumptions are based on known current rates.

**Table 26 Land development cost assumptions.**

Land Development Component	Assumption (Roskill)	Assumption (Oranga)
Acquisitions	s 9(2)(j)	[Redacted]
Design and Professional Fees	[Redacted]	[Redacted]
Dwelling Removal	[Redacted]	[Redacted]
Decontamination & Remediation	[Redacted]	[Redacted]
Civils and Infrastructure (Neighbourhood)	[Redacted]	[Redacted]
Consenting – Land Development	[Redacted]	[Redacted]
Consenting Environmental Controls	[Redacted]	[Redacted]
Vector & Chorus	[Redacted]	[Redacted]
Project Management	[Redacted]	[Redacted]
Tenant Relocation	[Redacted]	[Redacted]
Legal – Consenting	[Redacted]	[Redacted]
Security	[Redacted]	[Redacted]
General Marketing	[Redacted]	[Redacted]
Legal – Sales	[Redacted]	[Redacted]
Placemaking	[Redacted]	[Redacted]

4.4.3 Precinct infrastructure costs

Precinct infrastructure costs includes infrastructure projects which service multiple neighbourhoods, cross neighbourhood boundaries, and/or are defined as trunk/bulk/reticulation/arterial by Council and CCOs. The total precinct infrastructure cost for Roskill is divided into the asset classes shown in the figure below.

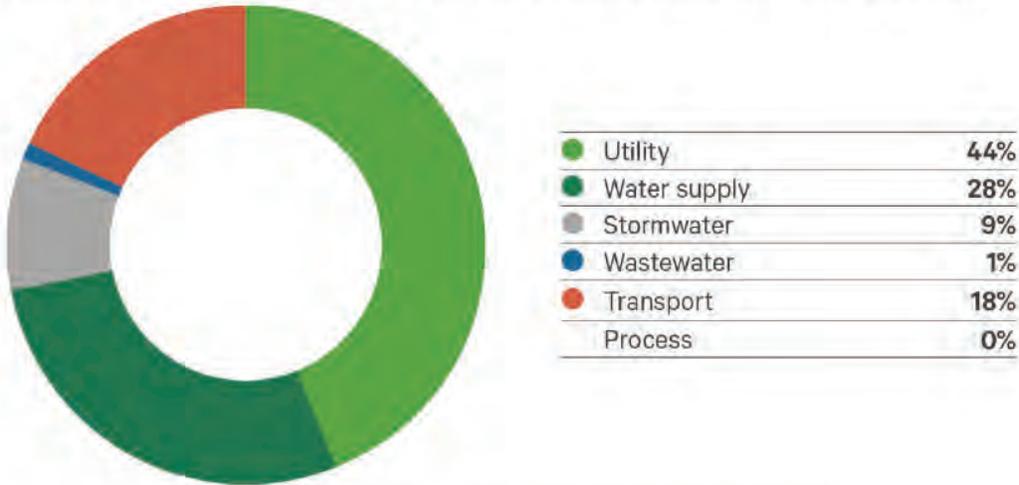


Figure 18 Precinct infrastructure costs by asset class.

Table 27 Precinct infrastructure costs by asset class.

Asset type	Estimated Cost (\$M)
Utility	91
Water Supply	59
Stormwater	18
Wastewater	2
Transport	36
Process	1
<b>Total</b>	<b>207</b>

The precinct infrastructure costs used in Kāinga Ora’s financial model were based on Beca’s Infrastructure Masterplan. These costs were provided directly by asset owners or have been adjusted in collaboration with Piritahi. A summary of precinct project costings is shown in the table below. The complete list of individual infrastructure projects is shown in Appendix M.

Table 28 Source of precinct project costs.

Asset Class	Source
Stormwater	The cost of stormwater projects has been developed by Kāinga Ora, its consultants, and the Healthy Waters department within Auckland Council.
Wastewater and water supply	Watercare has provided the costings for wastewater and water supply projects, based on a review of Beca/Piritahi's initial costing.
Transport	The cost of transport projects has been developed by specialist transport consultants Commute New Zealand.
Parks	Spatial Delivery Strategy projects have been priced by Kāinga Ora and all other projects have been priced by the Parks unit within Auckland Council.
Community	Spatial Delivery Strategy projects have been priced by Kāinga Ora and all other projects have been priced by the Parks unit within Auckland Council.

For Oranga, there are two precinct infrastructure projects required. These are:

- Upgrade of precinct wastewater pipe (1,100m approximately) at Captain Springs Mays Road
- Upgrade of precinct water pipe (approximately 1,000m)

It is assumed that these projects will be led and delivered by Watercare with Kāinga Ora contributing to the funding requirements. A Kāinga Ora contribution allowance of \$2 million for each project has been assumed in this business case.

#### 4.4.4 Other precinct costs

Other precinct costs include general overall precinct costs which are not directly associated with land development and infrastructure works. The largest components of other precinct costs consist of UDD alliance and overhead allocations. Other costs include marketing & communications, urban design and stakeholder engagement costs (such as engagement with mana whenua).

UDD alliance costs cover the overall management and running costs of Piritahi preliminaries and general (P&G). This excludes the roles that have been provided by Kāinga Ora, such as the Alliance General Manager and the Head of Pre-Construction. The total alliance P&G TOC has been allocated to each precinct based on the size of works that will be undertaken within each precinct.

UDD overheads refer to costs which are shared across the LSPs and cannot be directly attributed to a specific precinct. Examples of these shared costs include:

- General Manager of Urban Development & Delivery
- Director of Large-Scale Developments
- Consultants and Contractors
- Office accommodation costs
- Computer costs

Kāinga Ora has determined a standard method for distributing these overhead costs between each precinct. This approach involves allocating the total overhead cost to each precinct based on the proportion of FTE's within each precinct.

Other precinct costs can be divided into the following cost categories shown in the figure below.

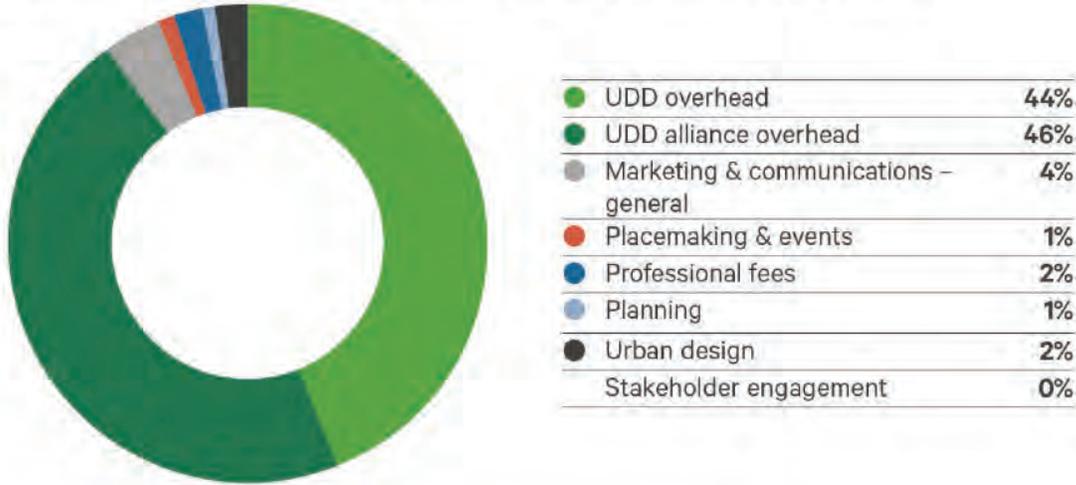


Figure 19 Other precinct costs by cost category.

Table 29 Other precinct costs by cost category.

Other Precinct Cost	Roskill (\$M)	Oranga (\$M)	Total (\$M)
Professional Fees	3	0	3
Planning	1	0	1
Urban Design	3	0	3
UDD Overhead Allocation	57	10	66
UDD Alliance Overhead Allocation	61	9	69
Marketing & Communications - General	7	0	7
Stakeholder Engagement	0	0	0
Placemaking & Events	1	0	1
<b>Total</b>	<b>131</b>	<b>18</b>	<b>151</b>

Kāinga Ora adopts the following assumptions, shown in the table below, for each cost category.

Table 30 Other precinct cost assumptions.

Other Precinct Cost	Assumption (Roskill)
Professional Fees	\$810,000 per neighbourhood
Planning	\$180,000 per neighbourhood
Urban Design	\$810,000 per neighbourhood
Marketing & Communications - General	\$955,000 per annum

Stakeholder Engagement	\$35,000 per annum
Placemaking & Events	\$183,750 per annum

4.4.5 Starting rents

Starting rents is the capitalised value of net lost revenue from public housing that needs to be removed to facilitate the LSPs. The purpose of the starting rents is to compensate the public housing arm of Kāinga Ora for the decrease in dwellings (and therefore the decrease in net revenue) during the redevelopment process. The net funding shortfall has been established based on the lost income stream rather than the book value of homes used for land development.

The calculation for starting rents is based on actual and planned removals using the average bedroom and associated average market rental value for Roskill. The calculation is as follows:

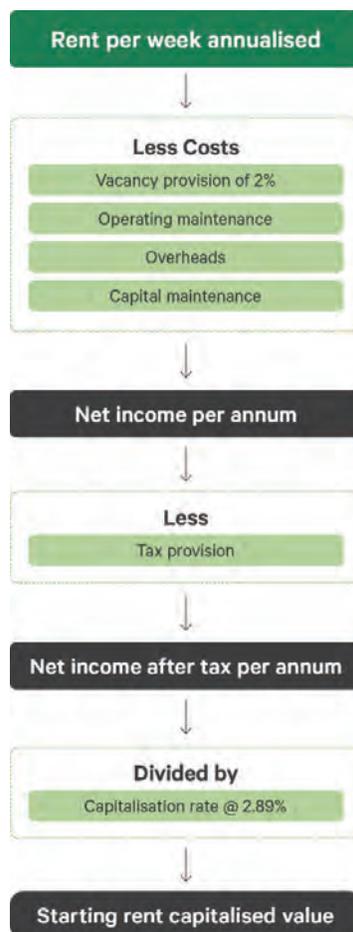


Figure 20 Calculation for starting rents.

The capitalised value of the starting rent is assumed to be a one-off cost that is incurred at the time of removal on a unit-by-unit basis.

Kāinga Ora establishes the market rent for its properties through a two-stage process:

- Stage One: Rent benchmarks are regularly reviewed. The benchmark is an indicative rent based on location, property type, housing standard, and number of bedrooms.

- Stage Two: Benchmarks are converted into individual property market rents using the process outlined in Kāinga Ora's P-108 Property Management Procedure – Manage Benchmarks for Standard Properties. The benchmarks are adjusted based on the property's rent set features as well as any discretionary adjustments.

#### 4.5 Quantitative risk analysis

A Quantitative Risk Analysis (QRA) has been completed for the Kāinga Ora Large Scale Projects (LSP) Portfolio Business Case to inform the levels of contingency provision to be held at the various governance levels with the Kāinga Ora organisation. This analysis can also be utilised by funders to inform the level of funding contingency to be retained by Kāinga Ora's funding streams.

The QRA has been used to inform the total combined contingency for all the costs in the financial model. This process applies a probabilistic contingency calculation methodology to estimate the most likely contingency provision, based on the probability of occurrence and the uncertainty of outcomes. The analysis undertaken considered both the inherent risk in rates and quantities used in the deterministic estimate and the discrete risk events that may hinder or enhance each precinct's final desired outcomes. The outputs of the QRA are shown in Appendix N.

The QRA applied the following methodology:

- **Step 1:** Identify the programme's inherent risk profile. This profile was established by assessing the uncertainty in the rates and quantities used for the base estimate/forecast. A 3-point estimate was developed, which determines the 'best', 'most likely', and 'worst case' scenarios.
- **Step 2:** Identify the programme's discrete risk profile. This process involved identifying all risks, determining the probability of the risks occurring, and quantifying the impact of the risks. A full review and quantitative assessment of each precinct's risk register and their neighbourhood risk registers has been undertaken by the precinct and neighbourhood teams led by Integrated Projects NZ Limited (IPNZ) to ensure alignment with each precinct's estimating assumptions and delivery constraints. Of all the risks that have been identified, the top 10 risks for each precinct are shown in Appendix N.
- **Step 3:** Combine the inherent and discrete risk profile in ARM (Kāinga Ora's QRA software) and develop the QRA using a Monte Carlo simulation. Kāinga Ora has identified a P5, P50, P70, P80, P85, P90 and P95 level of confidence to inform the contingency provision.

Kāinga Ora's LSP portfolio will allocate a P50 level of contingency to each precinct as an allowance for the planned (inherent) and unplanned (discrete) risks that they face in delivering the scope of works required to successfully achieve the required outcomes agreed. This level of contingency is considered adequate as the scope of works are being completed in an Alliance framework with Piritahi who are considered a high performing team of risk mitigators.

The approach utilised for this QRA aligns with the Kāinga Ora Risk Management and Contingency Management Processes. These processes were developed in early 2021 and follow industry best practice guidelines. Other local and International organisations that use a similar approach to that used by Kāinga Ora are:

- Waka Kotahi (NZ Transport Agency): Advanced approach as detailed in the NZTA "Z10 - Risk Management Manual" and "SMO14 Cost Estimation Guideline".
- Auckland Transport: Risk Management and Contingency Management Procedures developed for their Strategic Programmes Portfolio
- Kiwirail: Risk Management and Contingency Management Procedures developed for their CPAD Projects Directorate
- Risk Engineering Society (Engineers Australia): Contingency Guideline (2nd Edition)

## 4.6 Review of revenue and costs

Advisors supported the development of the financial information in this business case. KPMG was involved in the development of the core business case model that underpins that financial case and a risk specialist developed the QRA.

The following process was used to develop the business case model:

1. Kāinga Ora presented walk-throughs of existing workbooks and software over Teams. The structure behind the numbers and the key drivers of revenues and costs were questioned.
2. Kāinga Ora provided the materials and sources for the assumptions that were then reviewed.
3. Summaries of the inputs, assumptions and links to sources were produced and validated by Kāinga Ora.
4. Workbooks were developed to test if the same outputs could be achieved.
5. The revenues and costs were broken down and graphed to see trends and for Kāinga Ora to sense-check.
6. A period of iteration was undertaken with Kāinga Ora. This included updating inputs and bringing consistency to some assumptions between each precinct.
7. The workbooks were reviewed and finalised.

## 4.7 Funding gap/affordability

The LSPs generate a net cost and therefore requires funding from the Crown. A portion of the Housing Acceleration Fund has been ring-fenced to support the LSPs and this precinct business case is testing the extent of funding needed.

The costs of the LSPs cover Kāinga Ora's core land development costs and costs that would normally be met by Auckland Council and its CCOs. As outlined in the Strategic Case, Auckland Council does not have the funds to support the LSPs within the timeframes that the Government wants the housing delivered and therefore the Government intends to contribute towards the Council and CCO costs. Detail on the funding that is intended to be passed through to the CCOs is set out below.

Kāinga Ora is also investigating options to reduce the funding required from the Crown by assessing whether there are options for Auckland Council to contribute further funds. § 9(2)(j)

### 4.7.1 Crown contribution to CCO costs

Typically, a developer would deliver the local infrastructure associated with their development. The Council would deliver the larger assets (referred to as Precinct Infrastructure in the LSPs) and then recoup a portion of these costs through developer contributions.

However, there are aspects to the LSPs which makes them unique in comparison to standard developments. The LSPs are located in a brownfield environment where existing assets are near their end of life. In many instances, these assets are no longer compliant with the asset owner's Code of Practice. CCOs are asking Kāinga Ora to deliver assets above what is required for their own development by planning and future proofing these existing assets. This means surrounding private houses will also receive the benefits associated with any infrastructure works Kāinga Ora carries out. CCOs have the ability to recoup these costs from other developers through Development Contributions, Infrastructure Growth Charges, and rates. Therefore, CCOs should be paying a contribution in proportion to the additional infrastructure works Kāinga Ora is required to complete.

The LSPs are not typical developments given the location, existing asset conditions, and the complexity of mixed ownership and therefore beneficiaries of the assets. § 9(2)(j)

s 9(2)(j)



Table 31 CCO contribution assumptions.

Type	Party	Description	Roskill	Oranga
Neighbourhood Civils & Infrastructure	Council	Assumed deferred maintenance & service level improvements	s 9(2)(j)	
	Council	Growth share		
	Kāinga Ora	Growth share		
Precinct Infrastructure	Council	Assumed deferred maintenance & service level improvements		
	Council	Growth share		
	Kāinga Ora	Growth share		

s 9(2)(j)

#### 4.8 Fiscal implications

Budget 2021 allocated \$2.3 billion (ring-fenced in the Housing Acceleration Fund) to support housing supply and land development. This was based on the costs and revenues of the LSPs as estimated in the 2020 Development Plans through the HAF 5-year view. Through the analysis in this precinct business case, Kāinga Ora has refined its assumptions and the estimated net cost has moved from the Budget 2021 position.

The Roskill and Oranga neighbourhoods in scope are showing a \$26 million increase in net costs (excluding CCO contributions) from the HAF 5-year view. This increase is explained by the following movements in cash flow:

- Total revenue has increased. This is because superlot sales rates have been revised to reflect current sales rates that have been achieved in neighbourhoods to date. In addition, the Malcolm and Roma neighbourhood has been shifted and now sits outside the HAF 5-year view. The market/affordable sales have decreased as Waikōwhai has increased its state target to 40%.
- Land development costs have decreased. The civils and infrastructure rate has increased based on the observed rates from neighbourhoods which are currently in progress. However, the Malcolm and Roma neighbourhood has now been excluded, which has a larger impact.
- Precinct infrastructure costs have decreased. This is because key transport projects have been shifted outside the HAF 5-year view.
- Other precinct costs have increased. This is primarily because UDD overheads were not included in the HAF 5-year view.
- Starting rents has increased. The calculation is based on the number of homes removed and benchmark market rents. Kāinga Ora has revised its market rent to align with other properties of similar type, size, and location. This value has increased based on overall market conditions and is consistent with property industry data.
- Contingency has increased. In the HAF 5-year view, a percentage was applied across all costs to estimate the contingency provision. As part of this business case, a Quantitative Risk Analysis has been performed which assesses the level of contingency based on the probability and impact of risks.

The variation in cashflows between the HAF 5-year view (the forecast used for Budget 2020) and the current estimate/forecast is shown in the table below.

Table 32 Net cost variation from HAF 5-year view

Cash Flows (\$M)	Budget 2020 Forecast	Current Forecast	Variation
<b>Revenue</b>			
Superlot sale - market/affordable	759	741	(18)
Superlot sale - state	405	499	94
<b>Total Revenue</b>	<b>1,164</b>	<b>1,240</b>	<b>76</b>
<b>Costs</b>			
Land development	(1,006)	(925)	81
Precinct infrastructure	(288)	(207)	81
Other precinct costs	(31)	(151)	(120)
Starting rents	(498)	(513)	(15)
Contingency	-	(129)	(129)
<b>Total Costs</b>	<b>(1,823)</b>	<b>(1,925)</b>	<b>(102)</b>
CCO contribution	s 9(2)(j)		
<b>Net Costs (excl. CCO contribution)</b>	<b>(659)</b>	<b>(685)</b>	<b>(26)</b>
<b>Net Costs (incl. CCO contribution)</b>	s 9(2)(j)		

The portfolio of LSPs has a net cost which requires funding to support the delivery of the programmes. The table below shows the net cost at a portfolio level for the three Auckland LSP business cases, and the potential sources of funding. The funding provided by the Crown is expected to be in the form of an equity injection into Kāinga Ora and therefore would be non-departmental capital expenditure.

Kāinga Ora's Long-Term Investment Plan has assumed a cash profile of when it will receive funding from the Housing Acceleration Fund, shown in the table below. This has not been allocated to each LSP and is instead managed at a portfolio level. The latest cost and revenue estimates in the three Auckland LSP business cases present a total funding requirement of \$2.087 billion (excluding the CCO Contribution), which leaves \$218 million of the \$2.305 billion HAF allocation for Northcote and Eastern Porirua LSPs. It is important that Kāinga Ora receives a level of certainty around the timing of the funding to minimise the risk of any short-term shocks on Kāinga Ora's balance sheet.

The Net Cost figures in the table below exclude the costs associated with shovel ready projects because these are already funded.

Table 33 Fiscal projections.

\$M	Pre -FY21	FY22	FY23	FY24	FY25	FY26 – FY39	Total
s 9(2)(j)							

<sup>9</sup> Available to fund Northcote and Porirua LSPs.

### 4.9 Escalation

The figures presented in the Financial Case are in real terms i.e. they have not been escalated. Over the period of delivery, there will be escalation of costs and the revenue achieved from the sale of superlots will likely also be higher than present day. There is high uncertainty in the likely changes to costs and revenues over coming years due to:

- Inflationary pressures across New Zealand’s economy
- Specific upward cost pressure in the construction sector
- Uncertainty in the Auckland housing market due to recent policy changes and increasing interest rates

If the increases in revenues do not offset the increases in cost, then the scope of development will need to decrease or further funding will need to be secured, either from Auckland Council or the Crown. A series of escalation scenarios have been run to assess this risk. These are long-term historical averages and do not account for short-term fluctuations that might occur.

The following escalation percentages have applied to each cost category:

- 2.2% Consumer Price Index (CPI) escalation (RBNZ)
- 3.0% Producer’s Price Index (PPI) escalation for the construction sector (Statistics New Zealand)
- 3.8% 10-year annual average forecast (NZIER and Statistics New Zealand)

The following escalation percentages have been applied to revenues:

- 2.2% Consumer Price Index (CPI) escalation (RBNZ)
- 7.9% annual medium Auckland house price increase (REINZ)

CPI inflation has been included to provide a range of potential escalation scenarios as it is the most commonly used and recognised measure of inflation in New Zealand<sup>10</sup>. Other price indices such as PPI and the median Auckland house price increase have also been included to provide a gauge of inflation in non-household sectors of the economy. These are specific to the construction and real estate sectors and more reflective of the industry Kāinga Ora operates in.

The impacts of various escalation rates are shown in the table below. s 9(2)(j)

**Table 34 Escalation scenarios.**

Escalation – Mangere, Roskill and Oranga, and Tāmaki (\$M)	Costs	Revenues	Net / Funding required
<b>Unescalated</b>	s 9(2)(j)		(2,087)
<b>Scenario 1 (2.2% cost, 2.2% revenue)</b>	s 9(2)(j)		(2,209)
<i>Scenario 1 – change from unescalated</i>	s 9(2)(j)		(121)
<b>Scenario 2 (3.0% cost, 7.9% revenue)</b>	s 9(2)(j)		(1,345)
<i>Scenario 2 – change from unescalated</i>	s 9(2)(j)		743

<sup>10</sup> RBNZ Monetary Policy, Inflation Calculator

Scenario 3 (3.0% cost, 2.2% revenue)	s 9(2)(j)	(2,386)
Scenario 3 – change from unescalated		(299)
Scenario 4 (3.8% cost, 2.2% revenue)		(2,562)
Scenario 4 – change from unescalated		(474)

Covid-19 has resulted in labour shortages in the construction sector and continues to cause uncertainty in local market conditions. NZIER forecasts a peak non-residential building cost escalation of 10.0% in 2022. It is unclear how long or if building escalation costs will remain at these levels, particularly for forecasts beyond the next five years. Therefore, a long-term historical average was considered more appropriate in escalating costs and revenues associated the Kāinga Ora’s LSP’s, which extends to FY30-FY39.

These short-term fluctuations could result in cashflow issues for Kāinga Ora. Options to offset the potential increase in costs include trade-offs such as:

- Reducing the scope of the LSPs
- Compromises to quality
- A reallocation to reduce the yield of affordable houses
- Delaying the LSPs

#### 4.10 Dealing with the effect of escalation

Escalation in a large, long-term programme is a normal and expected factor to consider. In the context of the LSPs, this will impact both costs and revenue with different rates and timings. There will be opportunities to partially mitigate the effect, particularly in respect of costs. However, escalation remains a key feature that will need to be assessed when considering funding risk to the programme.

Kāinga Ora will need to take a proactive approach to managing the real-time impact of escalation as they seek additional neighbourhood business case approvals and deliver a programme of work out past 2030. Each neighbourhood business case will be required to mitigate cost increases resulting from escalation to the best of their abilities. Noting that in certain scenarios, additional investment may be required to make up the shortfall.

Any mitigations proposed at the neighbourhood business case stage (excluding additional investment to that proposed in this precinct business) will need to be traded against the security of delivery, pace of delivery, quality of product delivered, cost of delivery and the scope of works delivered. It is highly likely a combination of all five trade-offs will be required.

The range of mitigations may include:

- Value engineering (including reviewing the level of urban amenity provided), challenging infrastructure levels of service and investigating possible land remediation savings through stockpiling/level of remediation undertaken.
- Changes to current code of practise for infrastructure delivery to enable more sustainable and cost-effective infrastructure solutions.
- Continued programme governance, monitoring of change variations and appropriate use of contingency. As the LSPs progress, Kāinga Ora will be in a stronger position to assess the real impact of escalation. s 9(2)(f)(iv)

s 9(2)(f)(iv)

- Improved delivery efficiencies via a controlled and consistent approach to tasks, such as the development of a 'Kāinga Ora' way. This, combined with the security of delivery of multi-year funding approvals, enables clarity of roles and removes all competing priorities from within the business. Within the Construction and Innovation business, Project Velocity is one example of this.
- Leveraging the LSP programme's size and scale to further maximise supply chain efficiencies.

s 9(2)(j)

The above mitigations should not be treated in isolation but seen as a suite of tools to be used as appropriate.

In light of the constraints in the construction materials supply market and the escalating costs, the Supply Chain and Materials Team at Kāinga Ora continually monitor the supply chain and provide advice to the business. At a strategic level, papers have been supplied to IDC this year on product pricing and the supply chain. Kāinga Ora is currently working on mapping the full supply chain of 15 core materials, including steel and concrete, to understand where supply risks exist and potential mitigations. Kāinga Ora is also seeking inputs from a variety of sources including industry federations, suppliers, industry advisory groups such as CPAP and internal stakeholders to understand what is needed to be done to ensure certainty of supply of materials, equipment, and workforce over the short, medium, and long-term. This will result in a paper which will be presented to IDC in the early part of 2022.

This business case indicates that additional funding is needed. The quantum of the additional funding required will include the net impact of escalations as cost mitigation strategies take effect, alongside the impacts of change controlled variations, and revenue forecast updates through the life of the programme.

Kāinga Ora will keep Ministers informed via the established governance channels with structured regular monitoring and reporting of costs and revenues for the LSPs. In addition to the structured programme governance, the HUD Monitoring function plays a role in ensuring an objective perspective over the programme delivery. This will provide transparency to all parties around the ongoing risk for additional funding.

# 5 | Management Case



## 5 Management Case

### 5.1 Introduction

The purpose of the management case is to outline the governance and management arrangements that are, or will be, in place to ensure the successful delivery of the LSP portfolio, including that:

- decision-making (including change control) is made at the appropriate level;
- effective monitoring and assurance is in place;
- the benefits of the investment are realised; and
- the risks are appropriately managed.

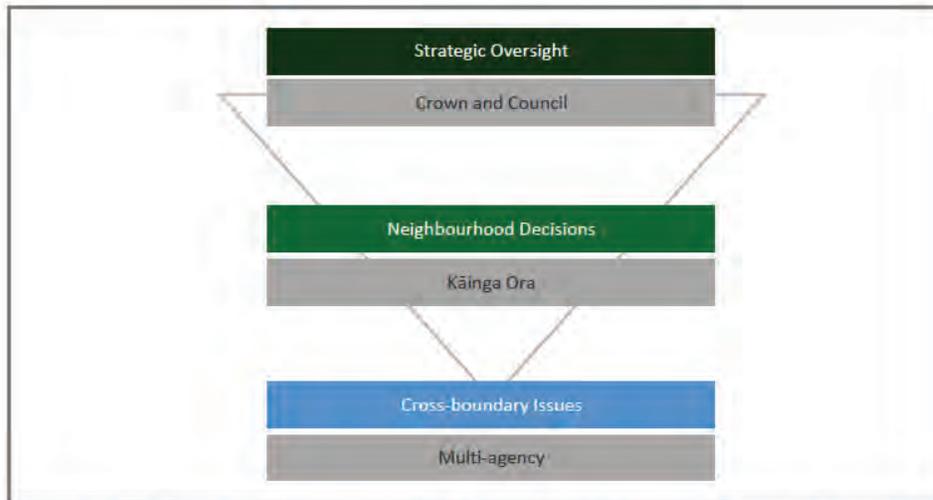
This management case will introduce the layered framework approach to governance and management for the LSPs based on three main interrelated levels of decision making: strategic oversight, neighbourhood and infrastructure decisions, and cross-boundary issues. It will then provide detail on the governance and decision-making arrangements at each layer at Crown and Council, Kāinga Ora, and multiple agency levels respectively.

In addition to the governance and management framework, the management case will also cover the following:

- Change control
- Monitoring and assurance
- Programme management
- Benefits management
- Key risks and management

### 5.2 Layered Governance and Management Framework

Given the significance of the LSPs to broader Auckland outcomes, the LSPs' interdependencies with other initiatives, the range of interests involved, and the different funding components, the management case is built around a strategically enhanced approach to governance. This means that there is a layered approach to governance and management that enables the right parties to be involved in the right way at the right time. Figure 21 below shows a simplified view of the three key components of the governance and management framework and the funnel-shaped approach from a broad lens to a narrower one. This is then followed by an overall explanation of each layer. A high level view of the governance and management framework as a whole is also shown in Figure 22.



**Figure 22 Key layers of the governance and management framework showing funnel-shaped relationship.**

By way of overview, the three key components of the governance and management framework are:

- **Strategic oversight (Crown and Council):** A strategic partnership between the Crown and Auckland Council will be established to work through co-funding arrangements, broader coordination, and fiscal and delivery risks relating to the LSPs. However, the scope for the strategic governance group will be wider than the LSPs: it will also be a forum for discussing and aligning on Auckland Council interests in the wider area and leveraging opportunities for private development. Once in place, the group could be used for other LSPs that may proceed. This group will operate at the Ministerial and Mayoral level.
- **Neighbourhood decisions (Kāinga Ora):** The existing Kāinga Ora structures and processes will continue to be used to govern and manage LSPs, and to make decisions on neighbourhood business cases. This approach uses the Kāinga Ora Investment Management Framework (IMF), including decision-making and governance through the Kāinga Ora Board (Board), the Board’s Investment and Delivery Committee (IDC), the independent Construction Programmes Advisory Panel (CPAP), the LSP Programme Governance Board (LSP PGB), and neighbourhood Programme Control Groups (PCGs). The LSP PGB and PCGs are comprised of representatives from across Kāinga Ora to ensure a diverse range of views and expertise is brought to the LSPs, including specialist knowledge in development and construction matters and Māori interests and engagement.
- **Cross-boundary issues (Multi-agency):** Groups will be established, as required, to collaborate on those projects and issues that involve multiple parties or that have impacts beyond a single project’s scope or beyond a single precinct’s boundaries. For example, governance groups will be set up in relation to major infrastructure projects (i.e. where there is joint funding or where infrastructure spans more than one neighbourhood), including to develop business cases, and then to govern projects and manage benefits and risks under those business cases. Multi-agency groups could also be established to deal with broader Auckland issues (similar to the strategic oversight group, but at the executive or working level). It is proposed that the strategic development of business cases and governance under those business cases be at the executive-level, and appropriate working level groups be established under them to collaborate on delivery as required.

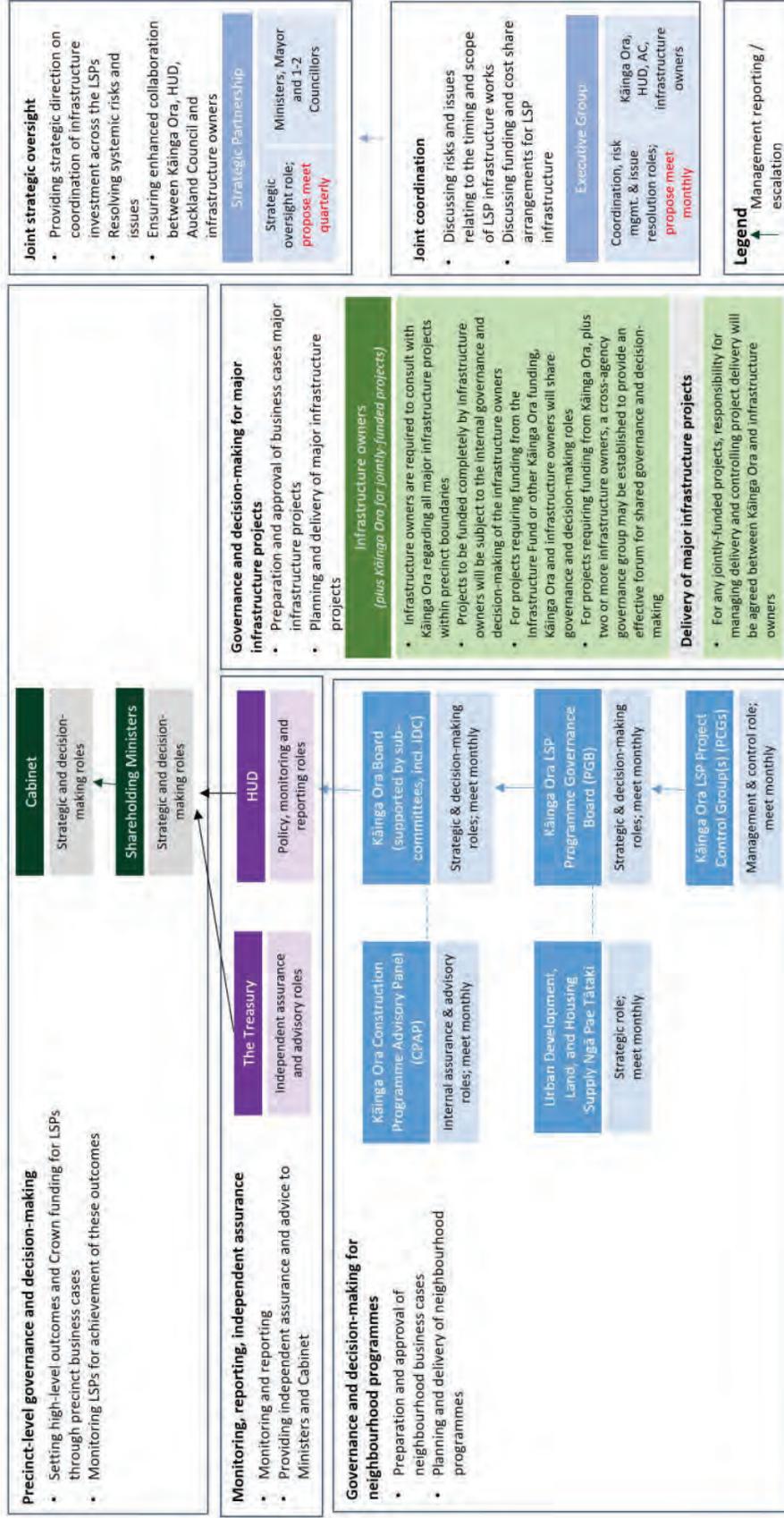


Figure 23 High-level view of the governance structure for the portfolio approach.

## 5.3 Strategic Oversight: Crown and Council Governance and Decision-making Structures

### 5.3.1 Strategic Partnership

A strategic partnership is proposed to be established to operate at a high level to work through co-funding arrangements, broader alignment, overall progress and deal with issues of fundamental change. Its scope is wider than the Kāinga Ora land in the LSP precincts, and also includes broader Auckland Council interests and opportunities for further private development. Its specific membership is yet to be confirmed, but will sit at a Ministerial and Mayoral level. This group cannot make binding decisions as each representative agency retains financial decision-making.

The terms of reference is also yet to be confirmed, but the group's role will be to:

- Align funding and financing priorities for both Council and Crown over the medium-long term;
- Make strategic decisions such as alignment of Crown funding and cost share arrangements;
- Leverage wider investment opportunities associated with committed and potential future projects;
- Provide a platform for resolving issues and mitigating risks relating to co-funding, priorities and challenges; and
- High-level tracking of the LSP programme.

## 5.4 Neighbourhood Decisions: Kāinga Ora Governance and Decision-making Structures

### 5.4.1 Investment Management Framework (IMF) and Delegations Policy

Governance of LSPs is dictated by the Kāinga Ora IMF, which sets out a comprehensive, structured, and consistent approach to investment management. The IMF is comprised of six Board-approved policies; a five-phase gated investment lifecycle; and a range of templates and processes.

The P3 Governance Policy sets out how all Kāinga Ora investments are to be governed. Amongst other things, it provides that:

- The Kāinga Ora Board remains accountable for Kāinga Ora investments and is ultimately responsible for their governance.
- To assist the Board, each programme must be governed by a Programme Governance Board (PGB). The PGB's role includes helping the programme to achieve its outcomes and manage risks.
- PGBs should be aligned to investment portfolios or sub-portfolios.
- PGBs' roles and functions will be set out in a more detailed Terms of Reference.

The P3 Governance Policy also provides for independent advisory panels (like CPAP) to be established to provide expert advice to programmes and assurance to the Board (IDC) and Chief Executive.

The Investment Approvals Policy sets out the requirements for investments to follow the gated investment lifecycle (i.e. the requirements for approval at each gate), as well as requirements for change control in relation to approved investments. The intent of this policy is that investment approval processes are fit-for-purpose and reflect the scale, complexity, cost, and risk of the investment. To achieve this, the Investment Approvals Policy defines three different investment profiles for the investment approval process: simple, standard, and significant.

The three profiles generally reflect the different levels of scale, complexity, and risk inherent in Kāinga Ora investments. Investments going through the simple track are typically small scale, low complexity, and/or low risk. Those going through the significant track are typically large scale, high complexity, and/or high risk. The standard track covers everything in between. All LSP business cases – at the precinct and neighbourhood level - fall within the significant track.

The profiles refer to the approval processes that investments are required to follow, and in this respect the IMF is closely aligned to the Kāinga Ora Delegations Policy, which is also approved by the Board. The IMF sets out the process requirements for investment approvals, including requirements relating to the approval documentation that must be used and the governance group that must approve the investment. As neither PGBs nor PCGs have delegated financial authority, investment decisions require a two-step approval process: first approval in substance by the PGB or PCG under the IMF, and secondly financial approval by the relevant body under the Delegations Policy. In the case of significant track investments, IDC is authorised to approve investments up to \$50 million. Above that threshold, IDC considers the investment, but it is the Kāinga Ora Board that decides whether or not to approve it.

Applying the IMF to the LSPs means that:

- A single PGB governs all LSPs. The LSP PGB manages risks and benefits, and tracks progress, across the portfolio of LSPs, and reports up to the Kāinga Ora Board of Directors.
- A PCG is established for each individual LSP (neighbourhood). The PCG manages risks and benefits at a programme level.
- Decision-making processes are aligned to the governance and management structure as well as to the Kāinga Ora Delegations Framework and Cabinet’s expectations. This means that a neighbourhood business case requires substantive approval from the LSP PGB, and financial approval from either the IDC or the Board (depending on the value). In some cases, the business case will then also need Ministerial approval.
- Independent advice and assurance is applied to the LSPs by the CPAP (refer section 5.5.3 below for more detail).

As the LSPs have already commenced, the above processes and measures are already in place and have been operating successfully for over a year.

#### 5.4.2 Kāinga Ora Board and Investment and Delivery Committee

As mentioned, the Kāinga Ora Board remains accountable for the delivery of Kāinga Ora investments, including the LSPs, and has approved a number of policies and processes to ensure that this can be done in an efficient and effective way. The Investment and Delivery Committee (IDC) is also set up to assist the Board in its governance responsibilities with respect to significant capital investment decisions made by Kāinga Ora. This includes:

- Delegated financial authority to approve significant investments up to \$50 million, following endorsement by the relevant PGB, and
- Responsibility for considering significant track investments above \$50 million before they are presented to the Board for financial approval (and following endorsement by the relevant PGB).

As a sub-committee of the Board, IDC is comprised of Board members, but also has standing attendees from the Kāinga Ora leadership team, shown in Table 34. Both the Board members on IDC and the Kāinga Ora attendees reflect a diversity of views and experience. For example, to ensure that investments are not considered solely through a traditional commercial lens and that Māori interests are integrated into decision-making, several Māori Board members sit on IDC as well as Te Ringa Raupa (Deputy Chief Executive Māori).

**Table 35 The members of the IDC and standing attendees from Kāinga Ora.**

IDC Members	
Name	Role
John Duncan	Chair of IDC, Director on Kāinga Ora Board
Philippa Howden-Chapman	Director on Kāinga Ora Board
Ngarimu Blair	Director on Kāinga Ora Board

Victoria Kingi	Director on Kāinga Ora Board
John Bridgman	Director on Kāinga Ora Board
Vui Mark Gosche	Ex officio member of IDC, Chair of Kāinga Ora Board
Lale Ieremia	Special advisor
<b>Kāinga Ora Attendees</b>	
<b>Name</b>	<b>Role</b>
Andrew McKenzie	Chief Executive
Mark Fraser	General Manager Urban Development and Delivery
Katja Lietz	General Manager Urban Planning and Design
Te Ariki Pihama	Ringa Raupa, Deputy Chief Executive Māori
Gareth Stiven	General Manager Strategy, Finance and Policy
Caroline McDowall	General Manager Commercial
Patrick Dougherty	General Manager Construction and Innovation
Rowan McCrae	General Manager People Governance and Capability
Al Witcomb	Director Governance
Bruce Riden	General Counsel
Nick Maling	General Manager National Services
Sharon Girvan	Manager Governance Systems
Sarah Butler	Manager Office of the Chief Executive

#### 5.4.3 Urban Development, Land and Housing Supply Pae Tātaki

The Urban Development, Land and Housing Supply Pae Tātaki is responsible for setting strategies, plans, standards and policies relating to urban development. It governs the Housing Supply portfolio and the Urban Development and Regeneration portfolio (which includes the LSPs).

Amongst other things, in relation to the LSPs, this Pae Tātaki is responsible for:

- Reviewing, providing guidance, or endorsing any Development Plans going to the Board's Urban Development and Planning Committee, including the strategic outcomes for LSPs and design guidelines.
- Monitoring the effectiveness of LSPs in achieving the Development Plans and their strategic outcomes, and providing guidance or endorsement to the development of any precinct level spatial and strategic plans and neighbourhood masterplans with respect to ensuring overall alignment to the Development Plan.
- Setting the strategic outcomes for any large scale or complex urban development project through the approval of opportunity memos at Gate One of the IMF.

- Providing oversight, reviewing, and monitoring of community engagement processes and plans , including partnership arrangements with Māori/iwi, local government, private sector, Ministries or other Crown Entities and the Community Housing Sector.
- Understanding and ensuring a Te Ao Māori view is taken to deliver broad and wide-ranging delivery for Māori, including partnership arrangements.

The membership of this Pae Tātaki is shown in Table 35.

**Table 36 The membership of Urban Development, Land and Housing Supply Pae Tātaki and their role.**

Name	Role
Katja Lietz	General Manager Urban Planning and Design
Mark Fraser	General Manager Urban Development and Delivery
Gareth Stiven	General Manager Strategy, Finance and Policy
Caroline McDowall	General Manager Commercial
Ingrid Arnestedt	Principal Advisor
Neil Mayo	Chief Commercial Officer
Geoff Mills	Director Market Delivery
Tia Wylie	Senior Marketing Manager Place and Sales
Tupara Morrison	Te Kurutao Regional Manager – Auckland and Northland
Garry Looker	Manager Development Partnerships and Investment
Daniel Soughtton	Deputy Chief Executive Central
Lauren James	Principal Partnership Advisor

#### 5.4.4 Large Scale Projects - Programme Governance Board (PGB)

The PGB is accountable to the Kāinga Ora Board for overall delivery of the LSPs. The PGB has been set up to take a portfolio approach to governing the LSPs, as this will lead to more successful outcomes, and is more efficient, than a series of separate, replicated governance bodies: LSPs share the same portfolio investment objectives, seek to achieve similar benefits, and face similar strategic-level risks. Governing these matters across the portfolio of LSPs gives a more fulsome picture, enables trade-offs to be made between programmes (where permitted), facilitates sharing of resources, knowledge, and lessons, and is more likely to pick up systemic issues that need to be resolved or escalated. A portfolio-level approach enables a cohesive commercial approach, which optimises value for money and efficiencies. It enables more meaningful and coordinated reporting and monitoring. Moreover, as the same set of skills and perspectives is needed to govern the LSPs, it is more time-efficient to have a single PGB, than multiple PGBs.

One of the key roles of the LSP PGB is to approve neighbourhood business cases. The other key role of the LSP PGB is to govern the LSPs in line with the approved business cases. To do this, the PGB receives reporting on each precinct on:

- Schedule
- Financials
- Māori aspirations

- Benefits
- Risks

The Members of the PGB are appointed by the Urban Development, Land and Housing Supply Pae Tātaki. They are appointed from across Kāinga Ora, reflecting the requirement in the PGB’s Terms of Reference to have regard to the following matters when appointing members to the PGB:

- The desirability of collaboration and effective partnerships with communities, relevant territorial authorities, and Māori;
- The capability needed to effectively govern the Programmes;
- The capability needed to engage with and understand the perspectives of Māori in the area where the project is being, or is proposed to be, carried out;
- The specialist knowledge that is required to support the Programmes to meet their objectives, for example, in relation to Te Tiriti o Waitangi and its principles, Te Ture Whenua Māori Act 1993 , or an understanding of Māori perspectives, aspirations, culture and traditions;
- The desirability of representation on the PGB from across Kāinga Ora, including delivery teams and centres of expertise;
- The need to ensure diversity of membership; and
- The ability of members to represent the outcomes that the Programmes are seeking to achieve and to ask the critical questions, or represent the perspectives, related to those outcomes.

Table 36 shows the names and titles of the members currently in the PGB.

**Table 37 Positions, Names and Titles of the members currently in the PGB.**

Position	Name	Title/role in Kāinga Ora
Chair	Greg Groufsky	Regional Director Wellington Region
Members	Andrew Barker	Strategic Lead Urban Development Land Programme – Urban Planning and Development
	Janna Campbell	Chief Advisor Strategy, Finance and Policy
	Patrick Dougherty	General Manager Construction and Innovation
	Mark Fraser	General Manager Urban Development and Delivery
	Amos Kamo	Director Policy and Performance
	Angela Pearce	Regional Director Counties-Manukau
	Sam Price	Director Investment Management Office

**5.4.5 Project Control Group (PCG)**

The LSP PGB is responsible for establishing Project Control Groups to manage and report on programme delivery. The LSP PGB has established a PCG for each precinct, chaired by the relevant precinct project director. Each PCG is accountable to the PGB for delivery of its specific precinct. Each PCG has a Terms of References that sets out the decisions that can be made by the PCG and those that need to be escalated to the PGB.

Tables 37 and 38 show the names and titles of the members currently in the Roskill and Oranga PCGs.

Table 38 Positions, Names and Titles of the members currently in the Roskill PCG.

Position	Name	Title/role in Kāinga Ora
Chair	Robert Graham	Project Director – Mt Roskill
Members	Sarah Coady	Manager Urban Design – Urban Planning & Design
	Nick Matejka	Programme Director Delivery – Construction and Innovation Group
	Tupara Morrison	Regional Manager – Auckland and Northland – Te Kurutao
	Nathan Palmer	Director Commercial and Governance – Urban Development and Delivery
	Shanon Tapp	Director Infrastructure & Civil Construction – Urban Development and Delivery
	John Tubberty	Regional Director Central and East
	Tia Wylie	Senior Marketing Manager Place and Sales – National Services

Table 39 Positions, Names and Titles of the members currently in the Oranga PCG.

Position	Name	Title/role in Kāinga Ora
Chair	Aileen Maniti	Project Director – Northcote and Oranga
Members	Sarah Coady	Manager Urban Design – Urban Planning and Design
	Tiana Lyes	Principal Advisor
	Nick Matejka	Programme Director Delivery – Construction and Innovation Group
	Tupara Morrison	Regional Manager – Auckland and Northland – Te Kurutao
	Nathan Palmer	Director Commercial and Governance – Urban Development and Delivery
	John Tubberty	Regional Director Central and East
	Shanon Tapp	Director Infrastructure & Civil Construction – Urban Development and Delivery

#### 5.4.6 Shared Direction-setting and Decision-making Across Agencies

As the owner of the LSP portfolio, Kāinga Ora is ultimately accountable for successful delivery of the LSPs and, as such, the existing Kāinga Ora approach to governance is appropriate. However, the nature of the LSPs means that they:

- require infrastructure works that require alignment with, and input (including funding) from, Auckland Council and other infrastructure owners; and
- have effects and impacts beyond the boundaries of each precinct.

In these cases, it is proposed that appropriate governance and steering groups be established to ensure shared direction-setting and successful delivery. These groups are described in more detail below, but briefly, will be established to oversee those aspects of the LSPs that are jointly-owned with local government. This will capture projects that fall within the scope of a precinct business case but that have not been approved in a neighbourhood business case; however, where appropriate, these groups may be used to discuss issues relating to a neighbourhood business case that have broader impacts.

### 5.5 Cross-boundary issues: Multi Agency Governance and Decision-making Structures

While Kāinga Ora is accountable for the delivery of the LSPs, developing a precinct or neighbourhood requires collaboration with other agencies and has impacts beyond the precinct / neighbourhood boundary. For example:

- Increased housing density may impact on roading and public transport needs.
- A neighbourhood or precinct may require, or be impacted by, major infrastructure which is to be provided by another party.
- A major infrastructure project, or other Council initiative, may impact multiple neighbourhoods.
- To manage these relationships and interdependencies, it is anticipated that the following groups would be established.

#### 5.5.1 Executive Group (Agency representation)

This group would support the strategic partnership but would also serve as way of managing the high level of dependencies between multiple agencies and funders; manage any adjustments to design and staging that may be required over time; and mitigate strategic risks. This group would not have approval rights in respect of business cases, but may be used as a forum to shape major infrastructure business cases, e.g. to ensure that all relevant parties have input and a joined-up approach is presented. Business cases would still need to go through each relevant agency’s separate approval process, including Cabinet where appropriate.

#### 5.5.2 Working level groups

As various infrastructure projects are undertaken, it will be necessary to set up appropriate governance and / or working groups. Where multiple parties are involved, each party would be represented. This would not limit an agency’s ability to set up its own internal PGBs or PCGs or similar to meet its internal governance needs.

Table 39 below sets out the roles of each infrastructure owner in the LSP portfolio. Further details can be found in Table 6 of the Governance and Decision-Making Framework for Auckland LSPs, including other stakeholders and the management responsibilities of Kāinga Ora and HUD for the stakeholders. The full Framework is in Appendix O.

**Table 40 Infrastructure owners and their interest, influence, and engagement requirements for the LSPs.**

Infrastructure Owner	Interest in and influence on LSPs	Engagement requirements
Auckland Council	<ul style="list-style-type: none"> <li>— Responsible for identifying Auckland’s urban development priorities</li> <li>— Responsible for setting Auckland’s spatial planning rules</li> </ul>	<ul style="list-style-type: none"> <li>— Regular ongoing engagement around priorities and planned LSP and infrastructure activity</li> <li>— Supporting Kāinga Ora to deliver intent behind the Kāinga Ora Spatial Delivery</li> </ul>

	<ul style="list-style-type: none"> <li>— Responsible for approving resource and some building consents</li> <li>— Responsible for engineering plan approvals</li> </ul>	<p>Strategy and Auckland Council Delivery Plan</p> <ul style="list-style-type: none"> <li>— Require a clear view of plans and timeframes associated with the five Auckland LSPs to effectively undertake its own planning</li> </ul>
<p>Transport agencies: Auckland Transport &amp; Waka Kotahi NZ Transport Agency</p>	<ul style="list-style-type: none"> <li>— Responsible for building and managing major transport infrastructure</li> <li>— Expected to contribute to funding of new transport infrastructure, alongside the Infrastructure Fund</li> </ul>	<ul style="list-style-type: none"> <li>— Will need a clear view of plans and timeframes associated with the five Auckland LSPs to plan transport infrastructure effectively</li> <li>— Will need to be involved in the masterplanning process</li> <li>— Will need to maintain an open dialogue regarding proposed funding arrangements for any new infrastructure</li> </ul>
<p>Water infrastructure owners: Watercare &amp; Healthy Waters (part of Auckland Council)</p>	<ul style="list-style-type: none"> <li>— Responsible for building and managing major water infrastructure</li> <li>— Expected to contribute to funding of new water infrastructure, alongside the Infrastructure Fund</li> </ul>	<ul style="list-style-type: none"> <li>— Will need a clear view of plans and timeframes associated with the five Auckland LSPs to plan water infrastructure effectively</li> <li>— Will need to be involved in the masterplanning process</li> <li>— Will need to maintain an open dialogue regarding proposed funding arrangements for any new infrastructure</li> </ul>
<p>Utility Providers: Vector &amp; Chorus</p>	<ul style="list-style-type: none"> <li>— Responsible for building and managing electrical, communications and other energy networks</li> <li>— Expected to contribute to utilise programme of work in a “dig once” opportunity.</li> </ul>	<ul style="list-style-type: none"> <li>— Will need a clear view of plans and timeframes associated with the five Auckland LSPs to plan infrastructure effectively</li> <li>— Will need to be involved in the masterplanning process</li> <li>— Will need to maintain an open dialogue regarding proposed funding arrangements for any new infrastructure</li> </ul>

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<p>Other government agencies providing important public infrastructure and services e.g. Ministry of Education, Ministry of Health, DHBs etc.</p>	<ul style="list-style-type: none"> <li>— Responsible for building and managing major public infrastructure and services e.g. schools and healthcare services/ hospitals</li> <li>— Expected to fund new public infrastructure and services</li> </ul>	<ul style="list-style-type: none"> <li>— Will need a clear view of plans and timeframes associated with the five Auckland LSPs to plan public infrastructure and services effectively</li> <li>— Will need to be involved in the masterplanning process</li> <li>— Will need to maintain an open dialogue regarding proposed funding arrangements for any new infrastructure</li> </ul>
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## 5.6 Change control and tolerances

### 5.6.1 Neighbourhood business cases

Decision-making processes will follow Cabinet/Ministerial expectations and the IMF. A key component of this is that decision-making will be aligned to the governance and management arrangements, as shown in Figure 18. This means that decisions are made by the most appropriate group, according to the value of the decision, the level of risk and complexity, and the extent to which the decision is consistent with, or gives effect to, the overarching Cabinet decisions and the LSP business case.

The neighbourhood business cases, which will give effect to this precinct business case and accordingly will not require new Crown funding, will be approved by the Kāinga Ora Board, taking into account advice from the PGB and IDC. Kāinga Ora will consult with the Minister of Housing on these decisions, as per the expectations set out in Cabinet Office circular CO (19) 6: *Asset Management and Investment Performance in the State Services*, or as per any specific Cabinet decision on this Precinct Business Case.

Once this precinct business case is approved, Kāinga Ora can deliver within the scope of the business case without further approvals required.

The level of governance required to approve any changes outside of the scope of the business case will depend on the scale, risk, and impact of the change. For example, in Mangere change control processes may be used in relation to neighbourhood-level decision making if neighbourhoods are impacted by future decisions about Auckland Light Rail. The neighbourhood business cases, with more detailed and specific analysis, are the best place for these types of changes to be investigated and addressed. Refer to Table 2 of the Governance and Decision-Making Framework for further detail.

### 5.6.2 Infrastructure business cases

Due to the shared objectives, collaboration required, and different funding sources / contributions, the infrastructure business cases will be jointly proposed, and agreed, by the infrastructure owner(s) and Kāinga Ora. This process also includes agreeing cost share, and which entity (Kāinga Ora or infrastructure owner) has delivery accountability for the infrastructure works. Once there is an agreed business case, each organisation will follow its own internal approval processes. For Kāinga Ora this means approval by the Board (following internal review and endorsement), and if the business case requires a Crown contribution over \$50m, Kāinga Ora will consult with the Minister of Housing, as per the expectations set out in CO(19)6, or as per any specific Cabinet decision on this Precinct Business Case.

## 5.7 Monitoring and assurance

Kāinga Ora is committed to working with Ministers and monitors on an open and transparent (no surprises) basis. Kāinga Ora considers that effective monitoring and assurance will help the LSPs to achieve their objectives.

### 5.7.1 Monitoring

HUD is the primary monitor of the LSPs and will liaise with Kāinga Ora on behalf of other government monitoring agencies such as The Treasury and the Infrastructure Commission. HUD will provide updates to Ministers and Cabinet as required.

Kāinga Ora will keep Ministers and Cabinet (via HUD) informed of key decisions, risks, and issues relating to the LSPs. Ministers and Cabinet are informed via reporting by Kāinga Ora. As a part of its quarterly report, Kāinga Ora will provide information on its progress and performance against the approved precinct business cases, inclusive of any infrastructure investment covered by the precinct business case. This reporting is to provide a clear and accurate forecast view of performance against precinct approval, including forecast against precinct tolerances and precinct performance requirements. Consolidated precinct-level reporting is also provided on a quarterly basis.

In addition to the above, each month Kāinga Ora will provide HUD with its full LSP PGB and PCG reporting packs for that month. The full requirements for PGB reporting are outlined in Table 3 of the Governance and Decision-Making Framework.

Kāinga Ora has an internal reporting structure that feeds up through the PCGs to the PGB and the Board. PGB reporting must show a breakdown by neighbourhood and major infrastructure. Stage level reporting is a requirement for PCGs and may be provided in the PGB reporting to provide context or the full picture.

### 5.7.2 Assurance

Alongside ongoing assurance activities, Kāinga Ora will conduct internal assurance reviews of the LSPs, which will be set out in the annual assurance plan agreed with the Finance, Risk and Assurance Committee of the Kāinga Ora Board. The Board will be responsible for acting on the results of these reviews, and any findings that significantly impact on overall precinct outcomes will be discussed with HUD.

The LSP portfolio has been rated as high risk by The Treasury's Risk Profile Assessment tool and is subject to Gateway reviews. A Gate Zero review was completed in June 2021 which found that Kāinga Ora is well placed to successfully manage the LSP portfolio. The LSP portfolio will be subject to an annual Gateway review.

### 5.7.3 Construction Programmes Advisory Panel

In addition to internal assurance activities, the Construction Programmes Advisory Panel (CPAP) provides expert advice to the Kāinga Ora Board's Investment and Delivery Committee (IDC). It has visibility across all LSPs, including the operation of the LSP PGB.

CPAP is an independent expert panel with four members, selected for their depth and breadth of experience in the property development and construction sectors. The current members of CPAP are Chris Aiken (Chair), Matthew Harker, Peter Alexander, and Peter Neven.

CPAP reviews the activities of the LSP PGB on a regular basis and is also available to meet with programme teams to advise on specific issues or risks where needed. Part of CPAP's remit is to visit sites to ensure it fully understands the context of Kāinga Ora programmes (including infrastructure components) and enable CPAP to proactively identify issues or to propose different approaches to achieve programme outcomes. It is also recommended that programme teams engage CPAP before seeking significant approvals (e.g. neighbourhood business cases). CPAP reports issues to IDC, as appropriate.

#### 5.7.4 Oversight arrangements for Crown funding

Kāinga Ora is currently working with HUD and Treasury to confirm the oversight arrangements for Crown funding and the drawdown of funding for the LSPs. This is likely to include a funding agreement from HUD to Kāinga Ora, which will include the arrangement for how funds will be paid and will also include reporting procedures.

Funding drawdown requests will be prepared by the Finance & Governance team in the UDD group of Kāinga Ora, reviewed by the Strategic Finance function, and formally endorsed for submission by the LSP PGB within Kāinga Ora.

Whilst the long-term drawdown of LSP funding is arranged, Ministers have agreed to release up to \$431 million from the HAF to maintain momentum on the LSP programmes.

### 5.8 Programme Management

The Roskill and Oranga programmes structure and key personnel are shown in Figures 23 and 24 respectively. Both the Roskill and Oranga programme teams are managed by a Project Director, who reports to the Director of LSPs. The team works with teams across Kāinga Ora where specific expertise is required (e.g. legal).

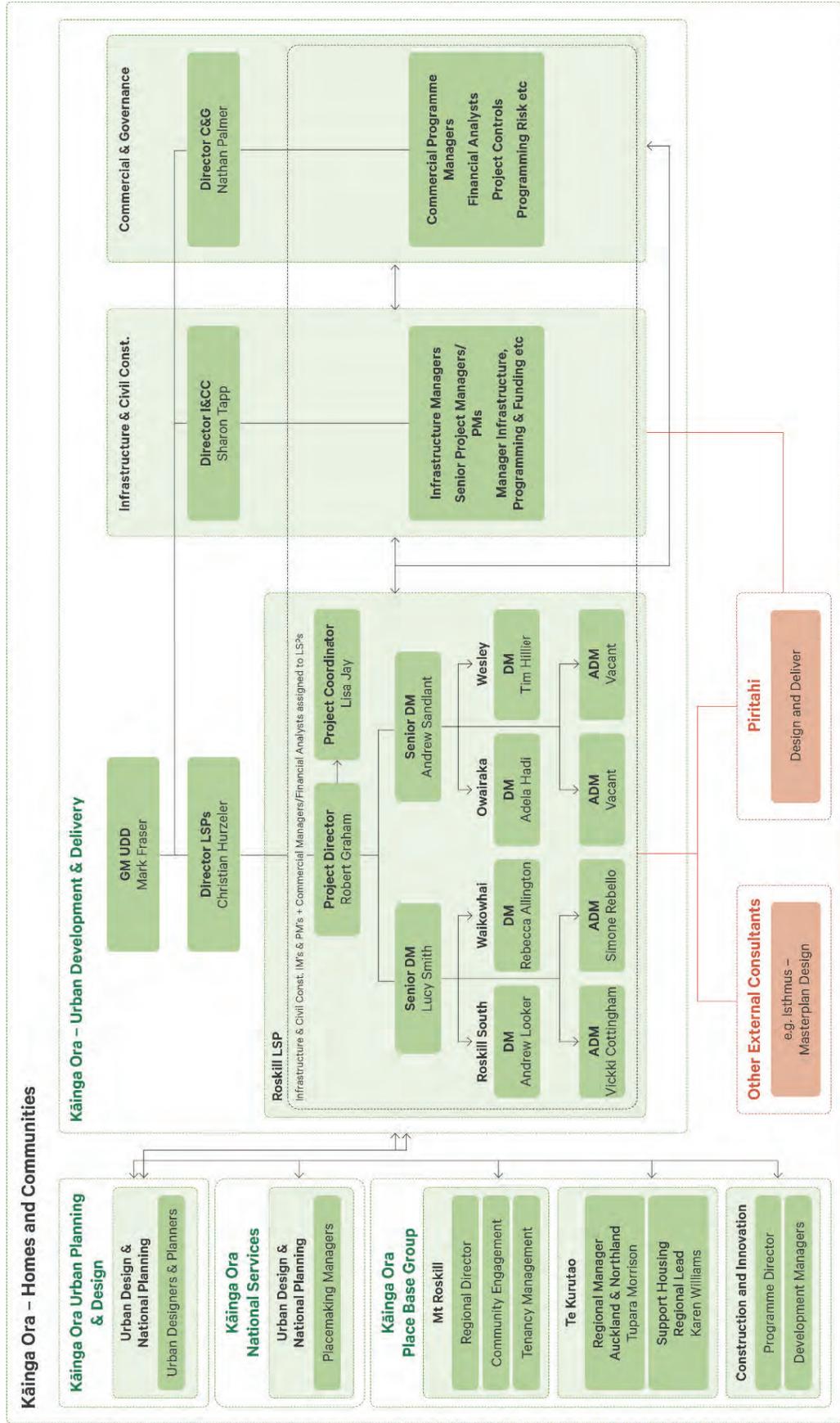
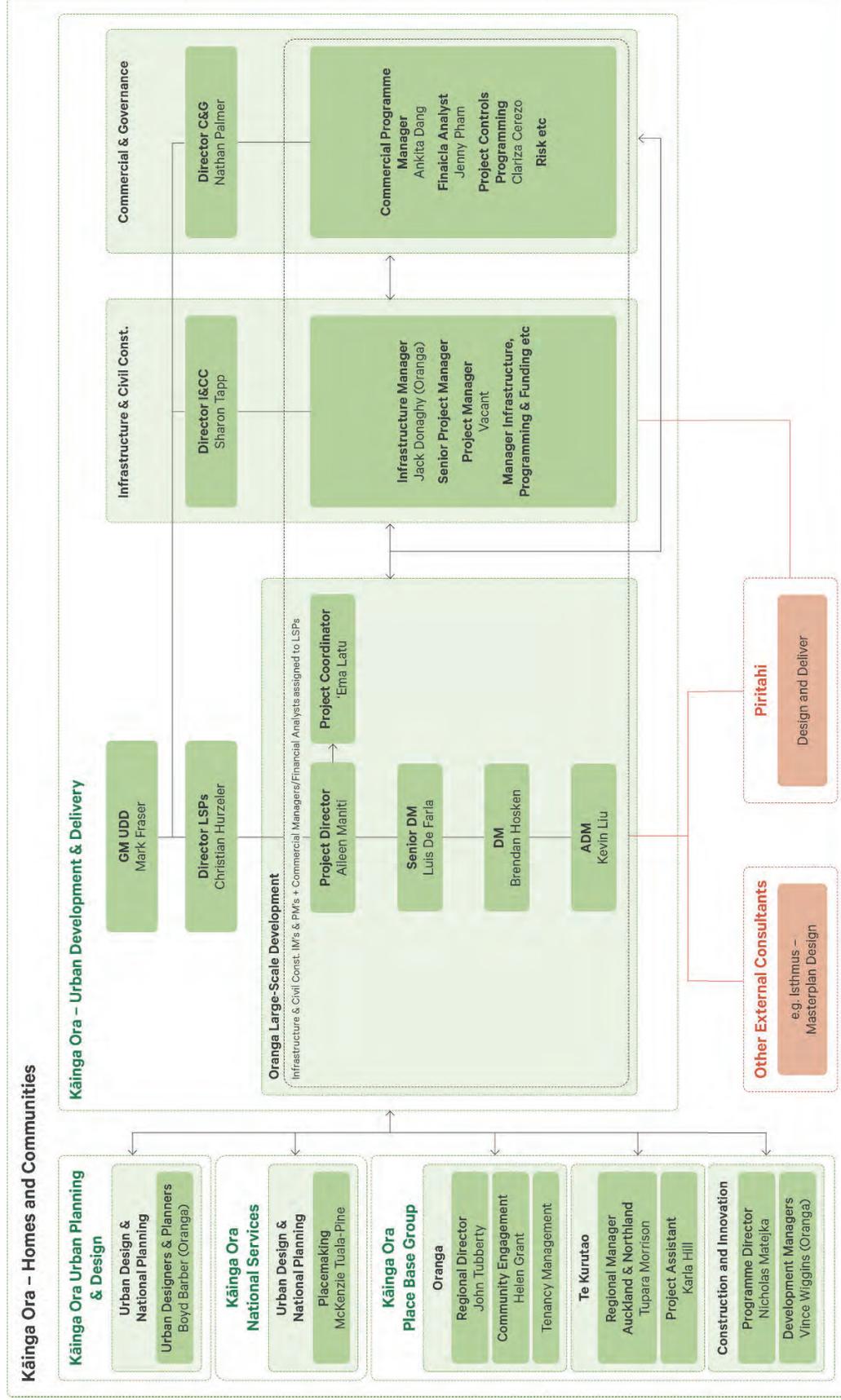


Figure 24 The Roskill LSP delivery team structure.



**Figure 25 The Oranga LSP delivery team structure.**

## 5.9 Milestones

As outlined in the Strategic and Commercial cases, the LSPs have commenced with internal Kāinga Ora governance established and design and delivery underway for some neighbourhoods within the precincts.

Further LSP milestones for standing up the structure and relationships for the wider portfolio governance are outlined in Table 40.

**Table 41 LSP milestones for developing governance.**

Action	Timeline
Establish the Infrastructure Provider PGBs, Infrastructure PCGs and AHP Governance and Steering Groups with Auckland Council	TBD
Agree process for drawdown of LSP funds with HUD	TBD
Agree cost allocation between Kāinga Ora and asset owners	TBD

## 5.10 Benefits Management

The Roskill and Oranga precinct developments will benefit the Roskill and Oranga communities and contribute to wider Kāinga Ora outcomes, as set out in the Strategic Case. The benefits for Roskill and Oranga will be enduring, and some may not be realised until after the closure phase of the LSP programme.

Benefits in the LSP portfolio are managed at two levels. This precinct business case sets out benefits that will be realised across the precinct. Further to this, each neighbourhood and infrastructure business case includes benefits specific to that particular investment, for example particularly environment or community benefits, capacity delivered, etc.

The benefits of the scope of works for the precinct business case and neighbourhood business cases will be managed in accordance with Kāinga Ora's benefits management guidance<sup>11</sup>. Benefits for infrastructure investments will be managed as set out in the documentation for each infrastructure business case.

The strategy, framework, and plan for dealing with the management and delivery of precinct level benefits is outlined in the Benefits Management Plan (BMP) for the Roskill and Oranga LSPs (refer Appendix P). It contains the benefits outlined in the Strategic Case, with the appropriate baseline, target, and indicator information, including benefit owners and data sources that will be used. The BMP will be reviewed annually for its ongoing accuracy and relevance.

To ensure benefit realisation is tracked and managed, the Urban Development and Delivery Project Management Office will monitor and collate benefit information, at both precinct and neighbourhood levels, to ensure the precinct is on-track to deliver its intended benefits and outcomes. Benefit reporting will be provided to the LSP PGB and can be reported further as required.

## 5.11 Key Risks and Management

Kāinga Ora and the infrastructure asset owners will work together to manage risks at each level of the LSPs. While each party may maintain its own risk registers according to its needs, reporting and consolidation of these will be categorised according to the Kāinga Ora Risk Management Framework outlined in the Kāinga Ora Risk Management Reference Guide.

<sup>11</sup> Guideline: Benefits Management for the Investment Management Framework

Ministers will be informed of any significant risks with potential to impact on overall precinct outcomes with decisions sought from them as required.

The risk owner and managers for each level are outlined below in Table 41. The Steering Group will maintain precinct level risk registers and will ensure there is a consolidated approach to management of the neighbourhood level risks. Relevant stage-level risks and issues are to be owned and managed by the LSP PGB and the Infrastructure PGBs, each of whom are responsible for maintaining stage-level risk and issue registers, and for sharing these with other PGBs. Further detail is provided in the Framework.

**Table 42 Risk owners and managers for each level of the LSP structure.**

Level	Risk Owner	Risk Manager
Precinct	Respective Boards	Steering Group with input obtained from PGBs
Neighbourhood	Respective PGBs	Respective PGBs
Neighbourhood stage	LSP and Infrastructure PGBs	PGB and the Infrastructure PGBs

# 6 | Reference List



## 6 Reference List

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20. New Zealand Infrastructure Commission. “He Tūāpapa ki te Ora: Infrastructure for a Better Future”. May 2021, pg 37.
21. The Construction Sector Accord. “The role of diversity in the construction sector” November 2020. (Webpage).
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24. <https://kaingaora.govt.nz/working-with-us/housing-acceleration-fund/>.
25. Revised Development Plans approved by Kāinga Ora Investment Decision Committee and Board in May 2020.
26. CAB-21-MIN-0190 refers.
27. Tenancy Services data presented in ‘Auckland residential market commentary’ draft, PwC September 2021.
28. REINZ data presented in ‘Auckland residential market commentary’ draft, PwC September 2021.

## Appendix A Influencing documents and policies

Outlined in the table is a non-exhaustive list of documents and policies that have influenced the progress and direction of the LSPs to date and will influence decision making about the investment.

**Table 43 Documents and policies that influence the direction of the LSPs.**

Document or Policy Name	Relevance
Te Tiriti o Waitangi	Te Tiriti o Waitangi is New Zealand's founding document. The Kāinga Ora – Homes and Communities Act 2019 requires Kāinga Ora to uphold Te Tiriti o Waitangi and its principles.
Kāinga Ora – Homes and Communities Act 2019	<p>Outlines the objective of Kāinga Ora to contribute to sustainable, inclusive, and thriving communities and the operating principles it is mandated to provide, such as providing good quality rental housing.</p> <p>Kāinga Ora is mandated to operate in a way that mitigates and adapts to the effects of climate change and offers opportunities to Māori.</p>
Healthy Homes Guarantee Act 2017	Outlines specific and minimum standards to ensure rental homes are warm and dry. Kāinga Ora homes are required to comply with the standards by 1 July 2023.
Urban Development Act 2020	Provides additional powers for the purpose of Kāinga Ora performing its urban development functions, including the acquisition, development, and disposal of land used. It also provides a mechanism to streamline and consolidate process for selected urban development projects initiated.
Public Housing Plan (PHP) 2021-2024	Sets out the Government's public house supply intentions. The Auckland public housing supply target is 35,223 homes in 2022 and 37,623 homes in 2024. These targets will affect the ability to remove existing dwellings and influence the percentage of public housing homes targeted for the LSP investment.
Auckland Housing Programme (AHP)	Helping Auckland to develop as a vibrant city by delivering more quality warm, healthy homes at pace and scale. It also seeks to create improved infrastructure and better amenities for Auckland.
Government Policy Statement of Housing and Urban Development (GPS-HUD)	Kāinga Ora is expected to give effect to the GPS, which sets out the Government's overall direction and priorities for the housing and urban development sector.

Resource Management Act 1991	Forms the basis of further documents and policies produced by HUD and Auckland Council which determine the direction and management of Kāinga Ora activities.
National Policy Statement on Urban Development (NPS-UD) 2020	<p>Sets out the objectives and policies for planning for well-functioning urban environments under the Resource Management Act 1991.</p> <p>Auckland Council is required to set regional policy statements and district plans that reflect demand for housing for Auckland as a tier 1 urban environment (within the policies outlined in the NPS-UD).</p>
Auckland Unitary Plan – updated September 2021	<p>Includes the regional policy statement for Auckland that gives effect to the NPS-UD, recognising increased demand for housing in Auckland.</p> <p>Outlines the policies that enable higher residential intensification in and around centres, along identified corridors, and close to public transport, social facilities, and employment.</p>
Kāinga Ora Statement of Intent (SOI) 2019-2023	<p>Sets out Kāinga Ora’s strategic direction for the period 2019 to 2023, the roles and responsibilities of Kāinga Ora as a newly established agency, and their Outcomes Framework that guides their decision making.</p> <p>Kāinga Ora’s commitment to supporting Māori interests and act on climate change are outlined in their SOI.</p>
Kāinga Ora Statement of Expectations (SPE) 2021/22	Sets out Kāinga Ora’s plans for 2021-2022 and how success will be measured through financial and non-financial measures to provide an annual view of performance expectations against the medium-term intentions in the SOI.
Minister’s Letter of Expectations	Embeds a focus of wellbeing, taking a whole of government approach, looking at intergenerational outcomes and moving beyond narrow measures when responding to New Zealand’s housing and urban development priorities.
Infrastructure Funding and Financing Act 2020	Provides opportunities for local councils, Māori and iwi, and developers to partner and deliver infrastructure, free of the council’s debt limits or from charging high upfront costs to developers.

## Appendix B Background of the Large Scale Projects

### History of the Large Scale Projects

In 2016 a Treasury-led business case was completed to identify how additional housing could be delivered on Housing New Zealand (HNZ) owned land in areas of Auckland. These areas were assessed on the basis of scale, market readiness, social outcomes and infrastructure. Auckland Council provided infrastructure assessments.

Reflecting these assessments, the Auckland Housing Programme (AHP) was approved by the Housing New Zealand Board in 2016. The AHP sought to accelerate housing supply from HNZ (as it was at the establishment of the programme) owned land and grow the volume of new supply through development of its land holdings. It was identified that HNZ's land holdings in the Auckland region had significant development potential under the Auckland Unitary Plan.

Following this, a Phase One AHP Better Business case was developed which was approved by Cabinet in March 2017. This established two key streams of work:

- Workstream A: a mixed housing supply programme managed by Hobsonville Land Company (HLC) on HNZ land. The aim of this workstream was to accelerate housing supply to the market and the large scale redevelopment of HNZ land, with the overall purpose of increasing market supply at lower price points.
- Workstream B: An Auckland focussed supply initiative managed by HNZ using HNZ land and other land. The aim of which was to generate more houses to meet HNZs share of public housing growth, and provision of housing to the market.

The AHP identified a number of key areas in Auckland where HNZ held significant land holdings for comprehensive masterplanning as part of Workstream A. These included Northcote, Mt Roskill, Mangere, and Oranga. It should be noted at this time Tāmaki was not included as it was no longer owned by HNZ.

It was anticipated that Workstream A would:

- Deliver a mix of market, affordable, and public housing
- Determine the housing mix by development profit achievable. Sites with higher development profit (and higher end values) would have a greater proportion of non-HNZ housing
- Over the entire programme the number of state houses will be retained or increased
- Projects generate positive value outcome (NPC)

Tāmaki had been previously identified for regeneration through a separate Council and Crown process, and development has been underway either by HNZ or TRC since 2013. In 2016, the HNZ land and housing assets in Tāmaki were transferred to TRC. In 2019 Kāinga Ora was given responsibility for the infrastructure and housing delivery in Tāmaki, on behalf of TRC.

Kāinga Ora is currently delivering six LSPs. Five across Auckland in Roskill, Mangere, Tāmaki, Northcote and Oranga, and one in Porirua. The LSPs are a portfolio of land development and infrastructure delivery projects that will support approximately 37,000 new homes on Kāinga Ora land and a further 20,000 market infill homes on surrounding land over a 20-year period (24).

All six precincts have been planned, Kāinga Ora is working with asset owners to identify and design infrastructure needs, and development has begun on a number of neighbourhoods. Some neighbourhoods are nearing completion, with superlots sold to developers and housing beginning to be delivered.

### The need for additional funding

The LSPs were committed on an assumption that the net proceeds of land sales produced a self-funding model (considering initial land value, development cost, operating expense, and subsequent land sales).

A number of assumptions that informed the original large-scale programme business cases have now been tested in projects and significant funding shortfalls have been identified. For the six LSPs, these shortfalls are estimated to be around \$4.5 billion (unescalated) over 20 years and \$2.3 billion for works commencing in the next five years. **s 9(2)(j)**

As with most brownfield projects, the LSPs face significant challenges overcoming legacy infrastructure and land remediation issues. In addition, Kāinga Ora is mandated to deliver non-financial social, cultural, and environmental outcomes, such as meeting higher Homestar requirements, minimising climate change impacts, and supporting affordable housing. Kāinga Ora's primary revenue streams is currently not aligned with the increase in non-financial outcomes it is expected to deliver.

These costs are beyond the ability of Auckland Council, Porirua Council and Kāinga Ora to pay within the timescales needed, and Crown funding is required to support the ongoing delivery of the LSPs.

### Funding that has been committed to the LSPs to date

In March 2021 the Government announced the \$3.8 billion Housing Acceleration Fund (HAF), a series of initiatives that seeks to increase the housing supply and improve affordability for first home buyers and renters by:

- unlocking more land for housing development, particularly in locations close to jobs, public transport, and amenities;
- supporting the provision of critical infrastructure needed for that development; and
- supporting delivery of a wider mix of housing (for ownership and rental) that is affordable for low-to-moderate income households (25).

Ahead of this announcement, Kāinga Ora worked with HUD and the Auckland and Porirua Councils to provide the Minister with a short-list of four options per LSP in August 2020 for consideration. These included a Do Minimum, Low Investment, Medium Investment and Full Investment – Development Plan. All options took a whole-of-programme view being 20 years. These options were then further refined to demonstrate activity commencing within a five-year window. Full funding for the deficit in Northcote and the remainder of Oranga (both due to be completed within the five years) was applied across all four of the options presented to Ministers.

As a result of this work, Cabinet noted that up to \$2.3 billion of the HAF will be set aside for the Kāinga Ora LSPs (1). The intent of this funding is that it would cover the shortfall associated with delivery of the LSPs in line with the Development Plans at full investment for the Auckland LSPs over the next five years (including costs incurred to date) and a scaled-back version of the Porirua LSP over the next eight years (26).

Cabinet also delegated the release of up to \$440 million to the Ministers of Finance and Housing to maintain momentum of the LSPs in the interim whilst the draw-down process of the funds is worked through (27).

## Appendix C Roskill precinct progress and approvals to date

### Roskill Progress to Date

As at end July 2021, the Roskill precinct has had 429 old state dwellings removed and 89 builder-ready superlots created. Construction is underway on 337 dwellings, with 182 dwellings already completed. Four neighbourhoods are already underway: Roskill South, Ōwairaka, Waikōwhai, and Wesley West. Roskill South and Ōwairaka have commenced land development activities and homes have been built or are in construction. Waikōwhai has commenced land development activities, with masterplanning underway in Wesley West.

Table 43 shows the high-level summary of works completed to date in the four neighbourhoods underway, since the approval of the 2017 Mt Roskill Programme Business Case.

**Table 44 Summary of works completed to date across Roskill neighbourhoods since 2017.**

Item	Roskill South	Ōwairaka	Waikōwhai	Wesley
Total \$ Approved to Date	\$150.8M	\$168.8M	\$44.7M	\$13M
m <sup>2</sup> of Land in Development	38,200	174,292	21,540	0
m <sup>2</sup> of Land Developed	123,500	6,482	10,556	0
Kāinga Ora owned land in Neighbourhood	20.4 Ha	12.8 Ha	23 Ha	46 Ha
Number of Public Housing Homes Built	123	33	0	0
Number of Public Housing Homes in Construction	88	83	0	0
Number of Market/Affordable Homes Enabled	396	119	0	0

### Roskill Approvals to Date

Approval	Date	Approver
Approved Scheme of Development set out in Akarana Programme Business Case May 2017.	May 2017	HNZC Board
Mt Roskill Programme Business Case	September 2017	HNZC Board
Commissioning Brief	October 2017	HNZC Chief Executive and HLC Chief Executive for Auckland Housing Programme large scale redevelopment activity in Auckland
Ōwairaka Neighbourhood Stage 1 Land Re-development - \$71m	November 2017	Investment and Delivery Committee (IDC)

Commissioning letter – confirming that HLC is the authorised agent of HNZN to take steps and engage with the relevant entities in Auckland as required to manage the masterplanning and development for superlot sales in the areas of Mangere, Mt Roskill, Oranga and Northcote.	December 2017	HNZN Chief Executive
Roskill South Development Programme Business Case Revision	July 2019	IDC
Ōwairaka Neighbourhood Stage 1 and 2 Land Redevelopment revised budget (included stage 3 design) - \$88.5m	September 2019	HNZN Board
Roskill South Neighbourhood Stage 1, 2 & 3 Land Redevelopment revised budget (including stage 4 consenting) - \$111m	September 2019	HNZN Board
Waikōwhai Neighbourhood Masterplanning and Technical Due Diligence - \$4.9m	March 2019	Roskill Project Governance Board
Wesley Neighbourhood Masterplanning and TDD - \$6m	September 2019	HNZN Board
Economic Stimulus Paper for due diligence to commence on Mt Albert East and Roskill Schools - \$10.4m	April 2020	IDC
Roskill Development Plan – direction of travel, called out funding challenges	June 2020	Kāinga Ora Board
Maintaining Momentum Paper: Roskill South (stage 4) estimated net cost of \$27m; Ōwairaka (stages 3 and 4) estimated net cost of \$34m; Waikōwhai (stages 1a and 1b) estimated net cost of \$18m; Wesley Areas 1 & 3 estimated net cost of \$7m; Roskill Schools, due diligence estimated net cost of \$2m; Roskill Precinct, due diligence, design and consenting estimated net cost of \$18m.	September 2020	IDC
Roskill South Reforecast Paper: Approve the improvement in net cash position (margin) from -\$19.4 to -\$18.9M an improvement of \$0.5M.	August 2021	LSP Programme Governance Board (PGB)

## Appendix D Oranga precinct progress and approvals to date

### Oranga Progress to Date

Oranga has seven stages, with masterplanning, infrastructure planning and consenting already completed. To date, 200 homes have been designed and consented, with a further 113 homes under construction and 14 public housing homes completed. Construction of the infrastructure required to enable new homes commenced in February 2021 and is now approximately 20% complete. The scope of works includes the upgrades to water, wastewater, utilities, and streetscape.

Stages 1 and 2 land development are complete where 14 public housing homes are now completed and occupied. The remaining 186 homes for public housing are in either construction or consenting phase.

Stage 3 tenant relocation and house removal have been completed. The 113 public housing homes are in design and consenting phase. The land sales for market and affordable superlots have been completed.

Stages 4-7 land development related design and consenting have been completed. Stage 4 tenant relocation is scheduled to commence in Q1 2022 and land sales for market and affordable superlots will commence Q4 2021.

The table below contains a high-level summary of works completed to date since the approval of the 2018 Oranga Programme Development Business Case.

**Table 45 Summary of works completed to date for the Oranga precinct since 2018.**

Item	Oranga
Total \$ Approved to Date	\$ 87.8m
m2 of Land in Development	32,799
m2 of Land Developed	48,381
Kāinga Ora owned land in Neighbourhood	20 Ha
Number of Public Housing Homes Built	14
Number of Public Housing Homes in Construction	113
Number of Market/Affordable Homes Enabled	25
Value of Land Contracted for Sale	\$22m

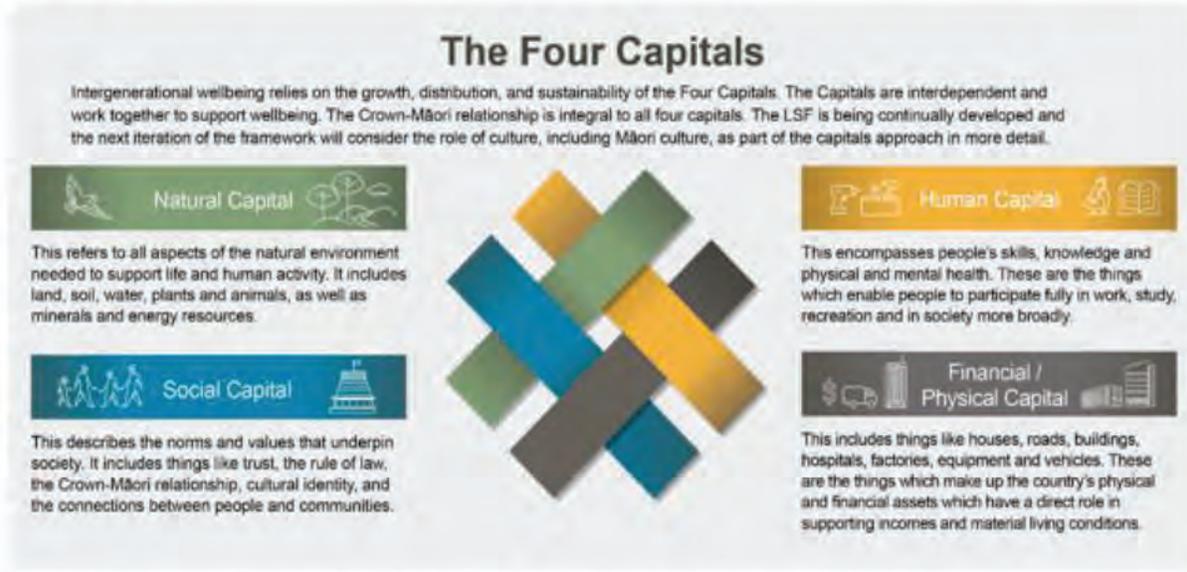
Oranga Approvals to Date

Approval	Date	Approver
Approval	Date	Approver
Approved Scheme of Development set out in Oranga Programme Development Business Case March 2018.	19 March 2018	IDC
Endorsement by the HLC Board in the submission of the Oranga Programme Business Case to the HNZ Investment Committee	22 March 2018	HLC Board
Oranga Programme Business Case approved by the HNZC Board	27 March 2018	HNZC Board
Large Scale Programme Cases: Lessons, Cost Pressures and Next Steps	15 April 2019	HNZC IDC
Approval to Delegate Authority for Transfer of Land to HNZ Build	27 August 2019	HNZC Board
Large Scale Programme Case: Commitments and Decisions Required to Maintain Momentum	24 September 2019	HNZC Board
Oranga Development Headworks: State 1 and 2 Capex Budget Approval December 2019	10 December 2019	Kāinga Ora IDC
Maintaining Large Scale Projects (LSP Momentum Approvals Package September 2020	29 September 2020	Kāinga Ora Board

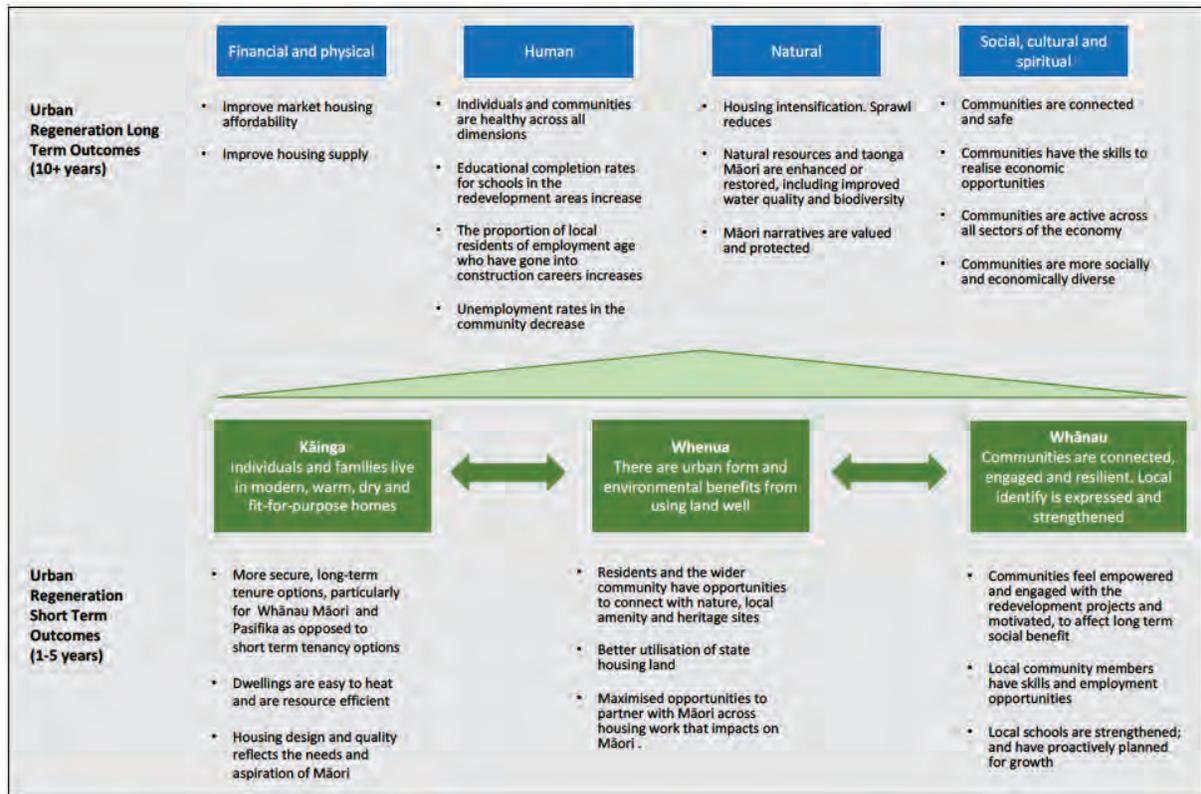
## Appendix E Economic impact of Auckland LSPs

### Establishing the desired outcomes for urban regeneration

In 2019 an Intervention Logic Map (ILM) was developed for the Auckland Housing Programme (AHP) and this continues to form the foundation for Kāinga Ora’s urban regeneration work. The AHP ILM draws on the Treasury’s living standards framework and put the Four Capitals in the context of Kāinga (Homes), Whenua (Land) and Whānau (Community).



The back of this appendix has a complete version of the AHP Outcomes Framework and the key outcomes are summarized below.



**Measuring impact of urban regeneration**

Kāinga Ora has attempted to quantify the costs and benefits of its activities and commissioned economists to undertake two pieces of analysis:

1. Public value of the wellbeing outcomes of the LSPs at a precinct level
2. Opportunities for job creation through Kāinga Ora activities

**Wellbeing outcomes**

Kāinga Ora commissioned NZIER and Principal Economics to analyse the costs and benefits of the Mangere and Mt Roskill precincts (NZIER and Principal Economics report “Cost-benefit analysis of Kāinga Ora activities: precinct-level assessment” December 2020). The analysis assumed the Development Plans options and assessed the public value of the benefits against the development costs as at December 2020.

The economists concluded that the benefits to the communities and the Crown exceed the estimated costs, with cost-benefit ratios of 1.13-1.43 for Mangere and 1.03-1.41 for Roskill.

The key benefits that were identified were:

In Mangere, the majority of the benefits come from placemaking outcomes (approximately 75%) and in Roskill the majority of the benefits come for regeneration and economic development outcomes (approximately 40%) and placemaking outcomes (approximately 40%). The analysis notes that the differences in the CBRs between the precincts are driven by Roskill having:

- More expensive land on average
- A wealthier community on average
- A lower rate of crime
- Residents’ education and income levels closer to the region’s averages

The benefits that were identified and analysed were:

Social transformation outcomes considered:

- Improved education levels
- Higher employment opportunity for residents of the precinct
- Increase in household income levels
- Fiscal savings from decreases in government benefit payments.

Economic development outcomes:

- Higher number of jobs in the precinct.
- Increase in economic activity levels in the precinct.

Placemaking:

- The satisfaction of residents with improved safety (less crime) in the precinct.
- Fiscal savings from the decrease in cost of crime prevention.
- Increase in satisfaction of residents with accessibility (to facilities and amenities).
- Higher satisfaction with public transport.
- Increase in sense of cohesiveness.

Housing resources:

- Increase in satisfaction of residents with warm housing.
- Wellbeing and economic effects of lower household crowding.
- Fiscal savings from decrease in reactive maintenance costs.
- Fiscal savings from lower turnover of tenants.
- Fiscal savings to tenants from saving rent.
- Fiscal savings from freeing up state houses.
- Increase in the region's housing affordability.

Health outcomes:

- Increase in satisfaction with health outcomes from better accessibility.
- Decrease in cost of healthcare (GP visits, hospitalisation).
- Improved health outcomes from warm housing (excludes the impact on specific chronic health issues such as asthma).

Other outcomes:

- Wellbeing value of improved environmental outcomes on residents.
- Environmental fiscal savings from improved isolation – decrease in consumption of energy resulting from improved isolation.

### **Job creation outcomes**

Kāinga Ora commissioned NZIER to analyse the trends in the construction sector and the potential for the LSPs to support job growth in Auckland (NZIER report "Construction and COVID-19: implications for the delivery of social housing" January 2021).

The analysis was noted that construction is a major area of employment in New Zealand and used high level analysis to estimate the number of jobs each precinct could enable. It estimated that the Mangere precinct could generate

1,862 annual jobs and Roskill precinct could generate 1,966 annual jobs. The actual level of employment in a precinct will fluctuate each year depending on the programme schedules, but these figures serve as a useful indication of the impact the LSPs could have on employment outcomes and the area.

### Going forward

Kāinga Ora is committed to improving the evidence that is available to inform future decisions on urban regeneration and has made two recent investments towards this. Going forward, the LSPs will draw on this evidence to stay connected to the trends in urban regeneration and ensure the detailed plans for neighbourhoods are optimal. The two investments are:

1. Kāinga Ora has established an Evaluation and Research team within its strategy directorate. The team is proposing a refreshed approach to evaluating urban regeneration programmes, building on the Auckland Housing Programme's ILM and evaluation and monitoring framework. This will see dedicated resource for comprehensive community surveys, IDI data analysis, place based assessments, and investment in formative as well as summative evaluation reports of urban redevelopment programmes.
2. Kāinga Ora has partnered with AUT in developing the proposed longitudinal, multi-million dollar research programme called Te Hotonga Hapori . The programme will provide an arm's length and research intensive view of impact of urban development activity on the wellbeing of the communities that Kāinga Ora work in/serve. The programme was opened by Minister Woods early in 2021. There are 3 key themes to this research - to determine the immediate and long-term impacts of urban regeneration on community wellbeing and deprivation; to compare the impact of urban regeneration on wellbeing among social housing tenants at various stages of relocation and lastly to explore how urban regeneration planning and delivery can be optimised to enhance neighbourhood liveability and community wellbeing.

2019 AHP Outcomes Framework

	Kāinga   Homes	Whenua   Land	Whānau   Community
<p><b>Drivers and opportunities</b></p> <p><i>What is the policy problem or opportunity?</i></p>	<ul style="list-style-type: none"> <li>There are large parcels of land with high concentrations of Kāinga Ora ownership of state housing stock. The houses are dated, of poor quality and are not meeting the needs of those requiring social housing.</li> <li>There is a lack of affordable homes for first home buyers.</li> <li>There are low rates of home ownership (or other forms of secure tenure) in Auckland relative to the rest of New Zealand.</li> <li>There are very low concentrations of Māori home ownership in Tāmaki Makaurau.</li> <li>Housing supply, particularly in Auckland, is not meeting demand.</li> <li>There are high levels of reported and unreported overcrowding. Poor quality housing and/or overcrowded housing can have negative impact on health outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Land used for state housing is poorly utilised.</li> <li>Developments have not sufficiently provided for quality amenity (or connections to amenity) including environmental amenity.</li> <li>Current development patterns don't adequately support active transport modes.</li> <li>There are areas around Auckland, and New Zealand, which are proximate to the city and employment opportunities, that could benefit from more and better investment in infrastructure, active transport and environmental enhancement.</li> <li>Māori identity in Auckland is a point of difference in the world. It is important that iwi, hapū and Whānau of Tāmaki Makaurau are able to uphold their mana, and be recognised in their customary kaitiaki role.</li> <li>By recognising the value of mātauranga Māori, the wāhi tapu of mana whenua and the mauri of the natural environment can be protected.</li> </ul>	<ul style="list-style-type: none"> <li>A strong sense of community allows people to connect to each other, and to place.</li> <li>Quality housing and communities of high amenity value and good urban design can positively impact on social cohesion, perceptions of safety and broader social outcomes.</li> <li>Security of tenure can have a positive impact on social outcomes including educational attainment.</li> <li>Development can provide new opportunities to participate in the community, including new social infrastructure and employment opportunities associated with development.</li> <li>Mixed tenure, and higher density, communities may bring about a number of benefits including de-stigmatisation of an area, social cohesion and better health and educational outcomes.</li> <li>Comprehensive redevelopment using a Te Ao Māori lens, principals and mātauranga Māori provides an opportunity to improve outcomes for the community.</li> </ul>
<p><b>Inputs and activities</b></p> <p><i>The things that go into and enable the intervention (e.g., funding, capability, technology, knowledge)</i></p>	<p>Coordinate, plan, fund and deliver comprehensive redevelopment. In the developments, roughly one third of the new homes will be additional state houses, another third will be affordable homes, with the last third consisting of open market homes.</p> <p>But getting the houses built on their own is not enough. Our goal is to create great places to live. That means adding to the urban environment in a way that is socially, economically and environmentally sustainable for those already living in these communities and people who will make those communities their home.</p>		
	<p>What we do</p> <ul style="list-style-type: none"> <li>Build attractive, warm, dry, fit for purpose homes at pace and scale, adopting and</li> </ul>	<p>What we do</p>	<p>What we do</p> <ul style="list-style-type: none"> <li>Best practice placemaking and community development strategies</li> </ul>

supporting the uptake of innovative building technologies as we go	— Support local retail/services nodes that service growing communities	unique to the neighbourhoods we work in
— In each of the precincts, we will ensure housing is roughly a third each of state housing (all state housing is replaced and 15% is added, where possible); market housing and affordable housing	— Masterplanning of areas recognising the Māori values of rangatiratanga, manaakitanga, kaitiakitanga, wairuatanga and Whānaungatanga	— Neighbourhood Masterplanning -ensure that built form expresses local identity and aspiration
— Diversify the type and location of state and public housing	— Mobilise central and local government; support mana whenua, iwi and hapū property development	— Partner with mana whenua, and engage with communities, stakeholders and local board early on and share as we go.
— Deliver a variety of typologies and sizes	— Support construction industry development and innovation	— Support schools as a valued asset
— Use of best practice sustainable development and construction approaches	— Provision of sustainable and futureproofed infrastructure, both directly and indirectly via collaboration with others	— Facilitate local employment in construction and development; support capability and skills building through education and training -emphasis on outreach to low income subgroups
— Apply the AHP Design Guidelines which includes Māori Design Guidelines (informed by Mātauranga Māori Design Principles) as well as street design guidelines. Facilitate a robust design review process.	— Options for enhancing local parks to cater for increased population are explored with Auckland Council	— Existing identity and networks are appreciated and nurtured during development
— Facilitate alternative pathways to homeownership, especially for Māori and keyworkers(TBC)	— Apply best practice and innovative strategies around house removal and relocation	— work alongside and support existing community governance to embed long term social, community and economic benefits
— Enable the adoption of Homestar6, assist in improvement and refinement of the tool	— Enable existing programmes which support energy upgrades	— Close working relationships with stakeholders, stakeholder networks and local boards established with the aim of effecting local aspirations through the development
	— Enable existing programmes which support water efficiency	— Need a town centre development activity here.
	— Ensure planned Public Transport (PT) links between key employment, education and commerce nodes and accord with the planned redevelopment	— Promote access to fresh, nutritious and affordable food
		— Preserve agriculture lands ;Provide support for local food production

**Outputs**

*The things the intervention will produce or cause – things you can count (quantity, quality, cost)*

- Rapid delivery of new, modern and better quality state, market and affordable houses on Kāinga Ora land
- More home options (Price, design, typology and size) to support the move to security of tenure and/or home ownership
- Kāinga Ora customers and their whanau are supported throughout the rehousing process in such a way to minimise disruption to their lives
- All new homes achieve NZGBC Homestar 6 accreditation or above
- Mana whenua specific output, e.g., culturally responsive housing is provided
- Design guide outcomes are managed and met via TAG (TBC)
- Increased access to a mix of quality retail, services and amenity
- Removal and construction waste is diverted from landfill and in approaches that lead to demonstrable benefit local community aspirations are adopted
- Mana whenua, iwi and hapū are aware of development opportunities
- Residents take part in energy and water efficiency programmes
- Cater for and help catalyse a clear shift to safe, active transport modes (walking, cycling, etc.) and reduced car-dependency
- Mana whenua specific output, e.g. Archaeological processes that are guided by mana whenua, are implemented
- More attractive and accessible public spaces and greenspaces – help to deliver; and help to improve access to these
- Opportunities to work with communities are amplified
- Residents have the opportunity to take part in place shaping activities
- Residents have the opportunity to gain skills and employment in development activities
- New built form builds on local identity
- Social infrastructure providers are brought together to focus on the health and education of the community
- An appropriate mana whenua engagement strategy for the project is established

**Short-term outcomes**

*Outcomes/changes expected or intended to follow from the outputs (1 – 5 years)*

- More secure, long-term tenure options, particularly for Whānau Māori and Pasifika as opposed to short term tenancy options
- Dwellings are easy to heat and are resource efficient
- Housing design and quality reflects the needs and aspiration of Māori
- Individuals and families live in modern, warm, dry and fit-for-purpose homes.
- Residents and the wider community have opportunities to connect with nature, local amenity and heritage sites
- Better utilisation of state housing land
- Maximised opportunities to partner with Māori across housing work that impacts on Māori .
- There are urban form and environmental benefits from using land well.
- Communities feel empowered and engaged with the redevelopment projects and motivated, to affect long term social benefit
- Local community members have skills and employment opportunities
- Local schools are strengthened; and have proactively planned for growth
- Communities are connected, engaged and resilient. Local identity is expressed and strengthened.

<p><b>Medium-term outcomes</b></p>	<ul style="list-style-type: none"> <li>— Better housing quality</li> <li>— Partnerships with Māori to develop and deliver housing</li> </ul>	<ul style="list-style-type: none"> <li>— Māori are actively involved in decision-making and management of natural resources; Māori are kaitiaki of the environment</li> <li>— Commercial/development ventures with mana whenua, iwi and hapū</li> <li>— A stronger construction and development sector</li> <li>— Catalyse private investment into development</li> <li>— Increase in travel to work and study via active transport and public transport modes</li> </ul>	<ul style="list-style-type: none"> <li>— Whānau wellbeing and resilience is strengthened</li> <li>— Cultural wellbeing is future-proofed</li> <li>— Improve perceptions of the quality of public spaces</li> <li>— Residents identify positively with the area, and feel they belong</li> </ul>
<p><i>Medium-term changes expected or intended to follow from the short-term outcomes (6 – 10 years)</i></p>			
<p><b>Long-term outcomes</b></p>	<p><b>Financial and physical capital</b></p>	<p><b>Human capital</b></p>	<p><b>Natural capital</b></p>
<p><i>High-level benefit or ultimate change that the intervention contributes to (10+ years)</i></p>	<ul style="list-style-type: none"> <li>— Improve market housing affordability</li> <li>— Improve housing supply</li> </ul>	<ul style="list-style-type: none"> <li>— Individuals and communities are healthy across all dimensions (wairua, whānau, hinengaro, tinana)</li> <li>— Educational completion rates for schools in the redevelopment areas increase</li> <li>— The proportion of local residents of employment age who have gone into construction careers increases</li> <li>— Unemployment rates in the community decrease</li> </ul>	<ul style="list-style-type: none"> <li>— Housing intensification; sprawl reduces</li> <li>— Natural resources and taonga Māori are enhanced or restored, including improved water quality and biodiversity</li> <li>— Māori narratives are valued and protected</li> </ul>

## Appendix F Long List Assessment

### Density

#### Development Plan

Outcome from Assessment: **Possible**

The Roskill Development Plan intends to deliver approximately 6,250 new homes in the in-scope neighbourhoods

#### Main Advantages

- Provides significantly more homes, including state, affordable and market, than the existing portfolio increasing access to housing
- Creates sustainable, inclusive and thriving communities through planning that is socially, economically and environmentally resilient – including through increased liveability of the area, more support for local businesses, increased access to public transport and reduced social stratification
- Provides high-performing infrastructure that is sustainable, environmentally responsible and resilient, see the Strategic Case for more detail

#### Main Disadvantages

- Reduces the opportunity to extract maximum financial value from the land
- Higher proportion of state homes in higher density areas will require an increase in operational tenancy management and social service provision with associated funding requirements

#### Increase density by 5-10%

Outcome from Assessment: **Discounted**

Increase the density of housing by between 5 and 10% above the development plans; this would result in delivering between 6,448 and 6,647 new homes in the in-scope neighbourhoods

#### Main Advantages

- Provides more homes increasing access for households.
- Increases 'liveability' in the area with opportunities to provide higher levels of access to facilities, amenities, employment, education and transport
- Increased support for local businesses, both retail and services, increasing revenue and job creation to meet demand
- Increase access to public transport in areas not highly serviced currently by providing more bus stops and / or more rapid transit stops
- Provides opportunities to reduce social stratification and provide a safe and vibrant community to live in

#### Main Disadvantages

- Increase in the length of the project timeline by 15% as a result of potential consenting changes, revision of current planned infrastructure design work to ensure spare capacity exists, and additional consultation required; adding three years to the programme timeline at Roskill.
- Presents a risk that the community may not be supportive as the development plan is significantly different to the plan previously consulted on and, as higher density housing is often associated with smaller typologies, tends to not be aligned with many of the families who will live in these new homes.
- Increases in congestion and reduction on quality of life if a higher density is not supported by high quality urban design (including design for shared green spaces and amenities) which could result in a reduction in social cohesion.
- Presents a risk that the market may not be able to deliver and absorb the increase in homes. Demand for apartments in suburban Auckland has not been fully explored.

**Increase density by 15%****Outcome from Assessment: Discounted**

Increase the density of housing by between 15% above the Development Plans; this would result in delivering between 6,845 new homes in the in-scope neighbourhoods. This is likely to change the type of home build; with more apartments constructed to achieve the increase in density.

**Main Advantages**

- Provides more homes increasing access to housing
- Increases 'liveability' in the area with opportunities to provide higher levels of access to facilities, amenities, employment, education and transport
- Increases rental affordability for apartments particularly, as this typology would typically receive lower rents than townhouses or stand-alone houses
- Greater support for local businesses, both retail and services, increasing revenue and job creation to meet demand
- Increases access to public transport in areas not highly serviced currently by providing more bus stops and/or more rapid transit stops, as well as aligning to the Crown and council's objectives on increases in public transport patronage and modes of transport shifts
- Provides opportunities to reduce social stratification and provide a safe and vibrant community to live in

**Main Disadvantages**

- Significantly increases the length of the programme timeline by approximately 30% adding six years to the programme timeline at Roskill as a result of potential consenting changes, longer construction period, more complex infrastructure required and additional consultation required
- Requires a change to the approach to construction, with more use of concrete construction compared to wood, resulting in less sustainable construction
- Presents a risk that the community may not be supportive as the development plan is significantly different to the plan previously consulted on and, as higher density housing is often associated with smaller typologies, tend to not be aligned with many larger families who will live in these new homes.
- Increases in congestion and reduction on quality of life if higher density is not supported by high quality urban design, including design for shared green spaces and amenities, could result in a reduction in social cohesion.
- Presents a risk that the market may not be able to deliver and absorb the increase in homes. Demand for apartments in suburban Auckland has not been fully explored.
- Adds a requirement for and upgrade bulk infrastructure to support the increased number of homes which increases cost, complexity, and project timeline.

Tenure Mix

**Development Plan**

**Outcome from Assessment: Possible**

The Roskill tenure mix, in the Development Plan is 40% state, 30% affordable and 30% market

- Main Advantages**
- Reduces state housing waitlist by increasing number of state houses delivered
  - Improves housing outcomes for the wider community by increasing affordable housing
  - Generate revenue from market housing, reducing the level of Crown funding required

- Main Disadvantages**
- Doesn't take advantage of opportunities to increase market housing (therefore lower call on Crown funding sources)
  - High proportion of state homes in higher density areas will require an increase in operational tenancy management and social service provision with associated funding requirements

**+10% State and -10% Market**

**Outcome from Assessment: Possible**

The Roskill tenure mix would be 50% state, 30% affordable and 20% market

- Main Advantages**
- Reduces state housing waitlist by increasing number of state houses delivered
  - Retaining more land for state housing allows for the option of increasing development in the future

- Main Disadvantages**
- Reduces revenue by decreasing market housing (therefore higher call on Crown funding sources)

**+10% Affordable and -10% Market**

**Outcome from Assessment: Possible**

The Roskill tenure mix would be 33% state, 40% affordable and 23% market

- Main Advantages**
- Improves housing outcomes for wider community by increasing affordable housing

- Main Disadvantages**
- Reduces revenue by decreasing market housing (therefore lower call on Crown funding sources)

**+10% Market and -10% State**

**Outcome from Assessment: Discounted**

The Roskill tenure mix would be 30% state, 30% affordable and 40% market

- Main Advantages**
- Greater revenue by increasing market housing and therefore lower call on Crown funding sources

- Main Disadvantages**
- Increases state housing waitlist by decreasing the number of state houses delivered
  - Creates risks to stakeholder, and community, relationships as reducing state housing in inconsistent with agreements reached with mana whenua and communities. This could impact Kāinga Ora's social licence to operate in the community.

**+10% Affordable and -10% State**

**Outcome from Assessment: Discounted**

The Roskill tenure mix would be 30% state, 40% affordable and 30% market

**Main Advantages** — Improves housing outcomes for wider community by increasing affordable housing

**Main Disadvantages** — Increases state housing waitlist by decreasing the number of state houses delivered

**100% State**

**Outcome from Assessment: Discounted**

All homes developed would be state homes; no affordable or market homes would be developed

**Main Advantages** — Reduces state housing waitlist by increasing number of state houses delivered  
— Retaining more land for state housing allows for the option of increasing development in the future

**Main Disadvantages** — Removes opportunity to increase revenue from market housing  
— Doesn't contribute to housing outcomes for wider community by increasing affordable housing  
— Reduced the yield on the land, as current state house requirements consume 15% more land than affordable or market houses  
— Increases the need for social infrastructure and amenities, creating service delivery complexity which may require funding model changes

**100% Market**

**Outcome from Assessment: Discounted**

All homes developed would be market homes; no state or affordable homes would be developed

**Main Advantages** — Greater revenue by increasing market housing and therefore lower call on Crown funding sources

**Main Disadvantages** — Increases public housing waitlist by not providing public housing  
— Doesn't contribute to housing outcomes for wider community by increasing affordable housing  
— Creates risks to stakeholder, and community, relationships as reducing state housing is inconsistent with agreements reached with mana whenua and communities. This could impact Kāinga Ora's social licence to operate in the community.

**50% Market and 50% Affordable**

**Outcome from Assessment: Discounted**

The Roskill tenure mix would be 50% market and 50% affordable

- Main Advantages**
- Greater revenue by increasing market housing and therefore lower call on Crown funding sources
  - Improves housing outcomes for wider community by increasing affordable housing

- Main Disadvantages**
- Increases public housing waitlist by not providing public housing
  - Creates risks to stakeholder, and community, relationships as reducing state housing is inconsistent with agreements reached with mana whenua and communities. This could impact Kāinga Ora’s social licence to operate in the community.

**Pace**

**Development Plan**

**Outcome from Assessment: Possible**

Neighbourhoods (and the stages within them) start as shown in the schedule in Appendix H

- Main Advantages**
- Build-ready land delivered at scale and pace and reduces the public housing waitlist
  - Provides high confidence levels of achievability
  - Access to construction resources, including labour and materials, sales and legal services are planned

- Main Disadvantages**
- Doesn’t provide opportunities to further accelerate housing supply in Auckland
  - Doesn’t provide opportunities for earlier delivery of social and living conditions for families on waitlist
  - Doesn’t provide opportunities for earlier opportunities to incentivise Government investment into critical infrastructure

**Bring Programme forward by 6 Months**

**Outcome from Assessment: Discounted**

Complete the programme of work 6 months earlier than the Development Plan

- Main Advantages**
- Further accelerates housing supply in Auckland
  - Provides the opportunity to create additional jobs in the labour market
  - Reduces the public housing waitlist earlier
  - Earlier delivery of social and living conditions for families on waitlist
  - Provides earlier opportunities to incentivise Government investment into critical infrastructure.

- Main Disadvantages**
- Presents significant risk that resources (including labour, construction materials, sales and legal services) could not be procured as these resources are already constrained in the current market
  - Increased delivery timeline delays, as local authorities may not be able to match the increase the pace resulting in consenting delays
  - Increased negative impact on tenants who need to be relocated, as this process would need to be accelerated
  - Increased disruption to local communities by the increase in intensity of development

- Presents a risk that it will be challenging to meaningfully engage, build relationships and partner, including with Māori

**Bring Programme forward by 12 Months**

**Outcome from Assessment: Discounted**

Complete the programme of work 12 months earlier than the Development Plan

**Main Advantages**

- Further accelerates housing supply in Auckland
- Provides the opportunity to create additional jobs in the labour market
- Reduces the public housing waitlist earlier
- Earlier delivery of social and living conditions for families on waitlist
- Provides earlier opportunities to incentivise Government investment into critical infrastructure

**Main Disadvantages**

- Presents significant risk that resources (including labour, construction materials, sales and legal services) could not be procured as these resources are already constrained in the current market
- Increased delivery timeline delays, as local authorities may not be able to match the increase the pace resulting in consenting delays
- Increased negative impact on tenants who need to be relocated, as this process would need to be accelerated
- Increased disruption to local communities by the increase in intensity of development
- Removes the opportunity to meaningfully engage, build relationships and partner, including with Māori

**Bring Programme forward by 18 Months**

**Outcome from Assessment: Discounted**

Complete the programme of work 18 months earlier than the Development Plan

**Main Advantages**

- Further accelerates housing supply in Auckland
- Provides the opportunity to create additional jobs in the labour market
- Reduces the public housing waitlist earlier
- Earlier delivery of social and living conditions for families on waitlist
- Provides earlier opportunities to incentivise Government investment into critical infrastructure.

**Main Disadvantages**

- Presents significant risk that resources (including labour, construction materials, sales and legal services) could not be procured as these resources are already constrained in the current market
- Increased delivery timeline delays, as local authorities may not be able to match the increase the pace resulting in consenting delays
- Increased negative impact on tenants who need to be relocated, as this process would need to be accelerated
- Increased disruption to local communities by the increase in intensity of development
- Removes the opportunity to meaningfully engage, build relationships and partner, including with Māori

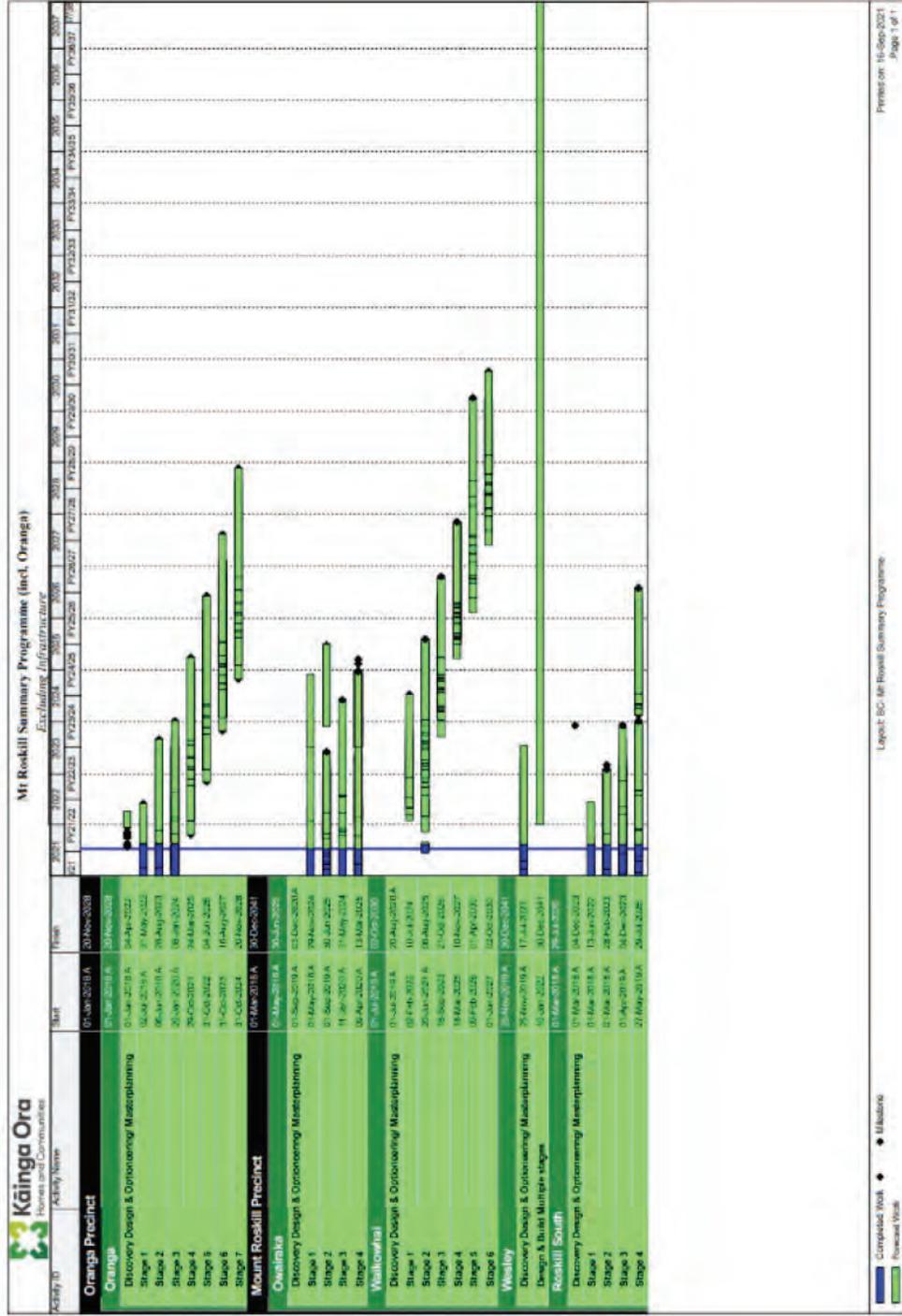
## Appendix G Long list assessment against the benefits

Benefits	Weighting	1. Density				2. Tenure mix				3. Pace						
		2a Development Plan	1c+15% 1b+5-10%	2a Development Plan	2b+10% state and -10% market	2c+10% affordable and -10% market	2d+10% market and -10% state	2e+10% affordable and -10% state	2f 100% state	2g 100% market	2h 50% market and 50% affordable	3a Development Plan	3b Bring forward by 6 months	3c Bring forward by 12 months	3d Bring forward by 18 months	
More people are moved into warm, dry, healthy, and safe public housing.	0.17	3	3	3	3	3	3	3	3	0	3	3	3	3		
More affordable homes will be built.	0.17	3	3	3	3	3	3	3	3	3	3	3	3	3		
Sustainable and thriving communities resulting from taking a whole of community approach.	0.17	3	2	3	2	3	2	2	3	0	3	2	0	0		
Cultural values and traditions are supported in an inclusive community.	0.17	3	2	3	3	3	3	3	3	0	3	2	0	0		
Infrastructure is designed and built in a manner that reduces the potential environmental effects.	0.17	3	3	3	3	3	3	3	3	3	3	3	3	3		
Dwellings are delivered at a faster pace than they otherwise would be.	0.17	3	3	3	3	3	3	3	3	3	3	3	3	3		
<b>Overall Assessment</b>		8.00	2.67	2.67	2.83	3.00	2.83	2.83	2.83	2.33	1.00	1.50	3.00	2.67	2.00	2.00

Assessment Key

Fully meets the criteria	3
Partially meets the criteria	2
Does not meet the criteria	0

# Appendix H Schedule of works for Roskill neighbourhood developments in scope



## Appendix I Pā Harakeke – Social and sustainable procurement strategy

### Social and sustainable procurement

In 2020 Kāinga Ora developed Pā Harakeke, its social and sustainable procurement strategy. Kāinga Ora adopted Harakeke (flax) as a symbol of Pā Harakeke to represent the cultivation of sustainable outcomes and aligning of initiatives most appropriate to the communities that Kāinga Ora supports.

The strategy was developed by applying Kāinga Ora’s broader outcomes framework to government procurement rules and introducing an approach that demonstrates Manaakitanga (showing respect, generosity and care for others).<sup>12</sup> This represents a move away from a predominantly commercial focus, towards a people and environment centred focus and utilises Kāinga Ora’s procurement capacity to positively impact broader social cultural, economic and development outcomes. Figure 21 shows Kāinga Ora’s broader outcomes framework.



Figure 26 Broader outcomes framework.

### Principles of supplier engagement

Pā Harakeke interweaves the broader outcomes with commercial value. The principles of supplier engagement: delivering value; community-oriented; future-focused; commitment and sustainability are interwoven with the broader outcomes, as shown in Figure 22.

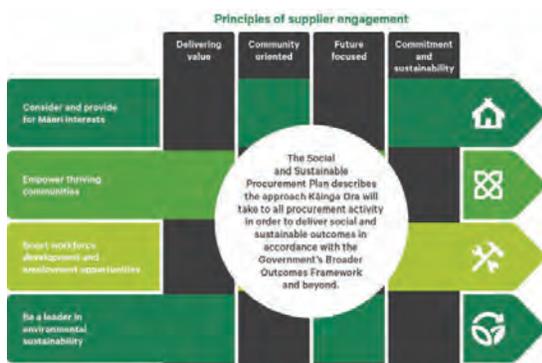
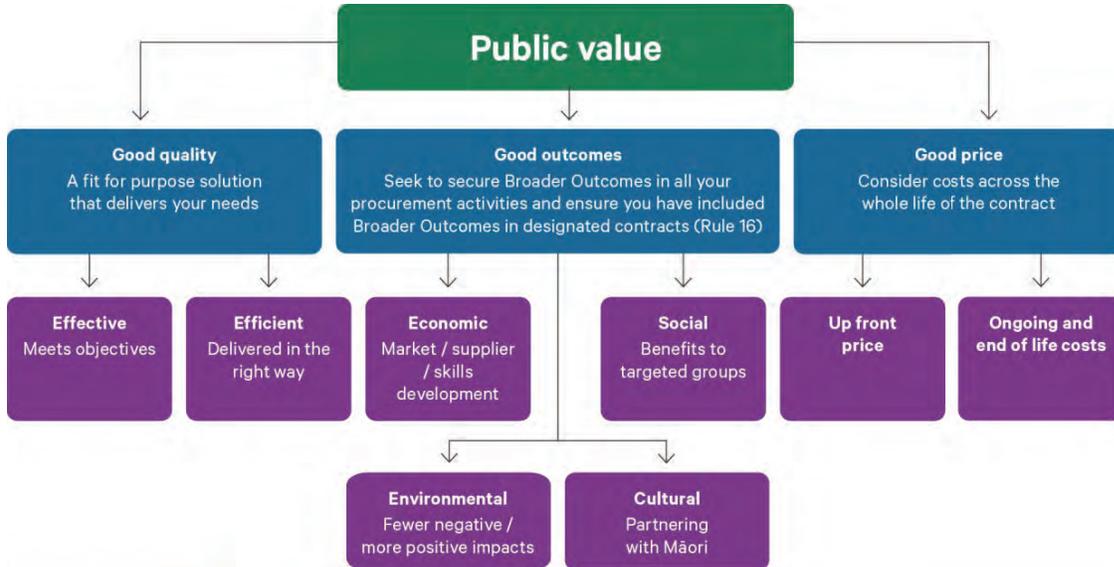


Figure 27 Broader outcomes framework interwoven with principles of supplier engagement.

<sup>12</sup> Pā Harakeke is consistent with the Kāinga Ora Homes and Communities Act 2019 and responds to the Progressive Procurement Cabinet Directive of five percent target for Public Service Contracts, December 2020.

## Appendix J Kāinga Ora commercial procurement frameworks

### Commercial procurement frameworks



**Supplier Strategy Vision** Building trusting mature relationships to deliver better outcomes for Kāinga Ora, our supplier partners and New Zealand

**Why is this important?**

- Suppliers' experiences throughout their engagement with Kāinga Ora are wildly variable leading to relationship dissatisfaction, unnecessary cost and unfavourable impacts on our reputation
- Kāinga Ora spends over 93% of our annual budget externally with suppliers
- We cannot deliver our strategic outcomes without successful suppliers
- Closer working relationships will deliver sustained value to Kāinga Ora and suppliers, improving outcomes for all

Vision: Three Themes	Five Key Objectives	Our Principles	Success Looks Like
<b>Working together</b>	1. We are easy to work with 2. Our expectations are clear	Trust and transparency Seek to understand Providing Clarity Responsive and timely	Achieving greater value for money by partnering more effectively with suppliers  Supporting suppliers' success and contributing to stronger, more productive industries  Enabling timely innovation internally and in collaboration with our suppliers  Driving increased efficiencies and lower transaction costs by streamlining processes
<b>Transformative improvement</b>	3. We deliver value by increasing efficiency and innovation within Kāinga Ora and for our suppliers	Continuous improvement Fostering innovation Collaboration and Partnership	
<b>Playing a key role in New Zealand</b>	4. We support NZ Inc. to drive outcomes for our customers and communities 5. We support sustainable business and industry resilience	Delivering Value Commitment and sustainability Community oriented Future focused	

Uplifting Supplier Engagement Maturity over time

## Appendix K Detailed infrastructure design and delivery works

The infrastructure design and delivery scope of works for the Roskill neighbourhood developments in scope comprise:

- Urban planning including possible minor plan changes
- Site Investigations, Geotechnical
- Resource consents
- Removal/relocation of existing buildings and houses (often containing asbestos)
- Site remediation of ground contaminants such as asbestos and lead
- Detailed design for civil works, urban design and landscaping and engineering plan approval.
- Building Consents for earthworks and infrastructure
- Civil infrastructure construction and construction monitoring.
- Earthworks for roading and building platforms
- Roothing construction
- Utilities construction
- Stormwater Management Plan
- Three waters modelling.
- Landscaping
- Integrated Transport Assessment.
- Traffic Management
- Stakeholder Management
- Practical completion certification, Engineering Approval Code Compliance certification.
- Land survey and subdivision.

## Appendix L Development progress in Roskill and Oranga neighbourhoods

### Roskill South neighbourhood progress

#### Overview of development

- Around 1,050 new homes over the next five years.
- Around 400 new state houses, the remainder will be a mix of market and affordable houses.
- Around 280 state houses removed or relocated.
- Developable land area of 18 hectares.
- 30 state homes complete and around 140 state, 25 affordable and 28 market homes underway.

#### Stage 1 and 2

- 128 new state houses and an Information Centre built.
- A further 97 state homes currently underway.
- Around 50 market homes under construction with an additional 200 market homes to be built (Stage 2).
- Around half of the market homes will be in a more affordable price range delivered under the KiwiBuild programme.

#### Stage 3

- 111 old state houses to be removed or relocated.
- Around 96 new state houses and 270 new market homes to be delivered.
- 40 state homes are in construction.
- House removals and civil works have begun

#### Stage 4

- Around 57 old state houses to be removed.
- Total of approximately 235 homes to be built.
- Around 95 new state houses and approximately 140 new market homes.

### Ōwairaka neighbourhood progress

#### Overview of development

- Plans to improve utilisation of Kāinga Ora land in Ōwairaka to renew and expand state housing and provide new homes for the market over the next three years.
- Remove or relocate around 225 existing state homes to build around 1,200 new homes.
- Approximately 280 will be new state homes and the rest will be a mixture of more affordable and general market homes.
- Connect open spaces through green streets alongside the new housing development to create a safe and walkable environment.
- Developable land area of 10 hectares.

**Stages 1A and 1B**

- 30 new state homes to be built by early 2021 (some already complete and tenanted).
- 48 state apartments (Stage 1A) under construction with a further 50 state apartments (Stage 1B) to commence construction mid-2021.

**Stage 2**

- Land remediation and civil works complete, handover to build partners underway.
- Around 230 new state, market and affordable homes to be built.

**Stage 3**

- Land remediation and civil construction estimated to begin mid-2021.
- Handover to build partners expected by end of 2021.
- Around 230 new state, market and affordable homes to be built.

**Stage 4**

- Land remediation and civil construction estimated to begin early 2022.
- Handover to build partners expected by end of 2022.
- Around 600 new state, market and affordable homes to be built.

**Oranga neighbourhood progress****Overview of development**

- Plans to improve utilisation of around 20 hectares of Kāinga Ora land in Oranga to renew and expand state housing and provide new homes for the market over the next eight years.
- Remove or relocate around 413 state houses, to be replaced with 1,300 new homes:
- Around 33% percent of new state houses will be 3, 4 or 5 bedroom family homes.
- Around 45% percent of the new market homes will be in a more affordable price range under the KiwiBuild programme.
- Construction of the infrastructure required to enable new homes commenced in February 2021 and is now approximately 20% complete. The scope of works includes the upgrades to water, wastewater, utilities and streetscape. The infrastructure upgrade works is scheduled for completion end 2023.

**Stage 1**

- Began early 2019.
- 25 houses have been removed or relocated to make way for around 51 new homes.
- Construction of 14 new homes has been completed.

**Stage 2**

- Removal of existing homes is complete.
- Construction of new homes is underway with a 119 state homes currently under construction, continuing through to around 2024.

**Stage 3**

- Removal of existing dwellings is complete and with land development expected to be completed at the end of 2021.
- The 113 state homes are in design and consenting phase.
- The land sales for market and affordable superlots have been completed which will deliver 159 homes in the next 24 months including 60 build-to-rent apartment units. The first market homes in Oranga will be released for sale 4Q 2021.

**Stage 4**

- Land development related design and consenting have been completed. Stage 4 tenant relocation is scheduled to commence in 1Q 2022.

## Appendix M Precinct Infrastructure Projects

Asset Type	Project Title	Project Description	Neighbourhood of Benefit	Proposed Funding Mechanism	Project Start	Project Finish	Total Cost (\$)
Community	Mount Roskill precinct stakeholder consultation strategy	Precinct Stakeholder Consultation Strategy.	Multiple	Kainga Ora	1/07/2019	1/07/2020	-
Innovation	Mt Roskill Basalt recycling trial	Investigate feasibility of crushing and re-use of excavated basalt for on site uses.	Multiple	Kainga Ora	20/11/2019	16/07/2021	-
Innovation	Mt Roskill Waste building products recycling trial	Investigate feasibility of re-use of waste building products.	Multiple	Kainga Ora	20/11/2019	16/07/2021	-
Process	Technical Due Diligence for precinct projects - TOC D1	Piritahi review of all inputs, methodology & outputs for the BECA IMP work.	Multiple	Kainga Ora	1/07/2019	31/10/2019	\$9(2)0
Process	GAP analysis of precinct projects with CCOs	Specialist Working Groups - confirming Precinct projects and other areas for further investigation.	Multiple	Kainga Ora	1/07/2019	14/02/2020	-
Stormwater	Freeland Reserve - Flood attenuation project.	Flood attenuation.	Roskill South	Shovel Ready	12/12/2019	5/10/2021	-
Stormwater	Molley Green Reserve (Oakley Creek) pipe daylighting upgrade	Approximately 200m Pipe Stream Daylighting.	Waikowhai	Cost Share KO & Asset Owner	1/09/2021	28/05/2024	-
Transport	Stoddard Road, Richardson Road and Sandringham Road Extension Frequent Transport Network extension	Stoddard Road, Richardson Road and Sandringham Road Extension Frequent Transport Network extension	Multiple	Auckland Transport	20/11/2019	1/06/2027	-
Transport	Youth / Dominion Road	Signalised Intersection - TOC20A	Roskill South	Shovel Ready	1/04/2021	28/01/2022	-
Transport	Mount Albert Rd / Sandringham Rd intersection upgrade	Intersection Upgrade.	Wesley	Cost Share KO & Asset Owner	1/06/2022	1/06/2026	-
Transport	Stoddard Rd / Richardson Rd intersection upgrade	Intersection Upgrade.	Roskill Schools	Auckland Transport	1/06/2023	31/05/2026	-
Transport	Stoddard Rd / Denize Rd intersection upgrade	Intersection Upgrade.	Roskill Schools	Auckland Transport	1/06/2023	31/05/2026	-

Transport	Stoddard Rd / Sandringham Rd Extn intersection upgrade	Intersection Upgrade.	Roskill Schools	Cost Share KO & Asset Owner	1/06/2023	31/05/2026	s 9(2)(j)
Utility	MR-PREC-UT-007: Vector - Investigate Gas DRS Upgrades	Investigate gas DRS upgrades	Multiple	Vector	29/04/2019	27/03/2020	-
Utility	MR-PREC-UT-008: Chorus - Undergrounding in Existing UFB Areas	Investigate ducting options where UFB already present	Multiple	Chorus	29/04/2019	2/11/2020	-
Utility	MR-PREC-UT-009: Chorus - Undergrounding in New UFB Areas	Investigate ducting options where UFB not already present	Multiple	Chorus	29/04/2019	2/11/2020	-
Utility	MR-PREC-UT-010: Chorus - Investigate Ducting options Where UFB Not Present	HLC/Chorus infrastructure headworks agreement	Multiple	Chorus	20/11/2019	30/10/2020	-
Utility	MR-PREC-UT-011: Kāinga Ora/Vector Infrastructure Headworks Agreement	HLC/Vector infrastructure headworks transport corridor agreement	Multiple		4/09/2019	31/10/2019	-
Utility	MR-PREC-UT-001: Vector - Additional Transformer at Sandringham Substation	Additional transformer at Sandringham substation. Include Feeders 1.1KV feeder along Sandringham Road New Sandringham Road Sub-station	Multiple	Vector	1/05/2022	28/05/2025	s 9(2)(j)
Utility	Waikōwhai Transmission Lines Undergrounding/Removal	Underground the overhead transmission lines through Waikōwhai.	Waikōwhai	Cost Share KO & Asset Owner	4/12/2023	10/06/2027	
Wastewater	Oakley wastewater hydraulic modelling	Oakley Wastewater hydraulic model capacity assessment to confirm wastewater precinct projects.	Multiple	Watercare	21/10/2019	26/06/2020	
Wastewater	Meola wastewater hydraulic modelling	Meola Wastewater hydraulic model capacity assessment to confirm wastewater precinct projects.	Multiple	Watercare	22/06/2020	23/02/2021	
Wastewater	Branch 9B Diversion Sewer Upsizing	Integration of branch 9 sewer in Keith Hay Park with CI. Also duplication project	Waikōwhai	Shovel Ready	9/04/2021	2/04/2025	
Wastewater	Central Interceptor - Kāinga Ora modifications (Keith Hay, Walmsley and May Rd shaft and associated pipe configuration)		Multiple	Shovel ready	1/05/2021	28/05/2024	
Water Supply	Wesley Area 1- BSP	Upgrade the water supply required to boost water supply into Wesley.	Wesley	Shovel Ready	6/03/2020	28/06/2024	
Water Supply	OKHD Water Supply Management Plan	WSL to prepare OKHD Water Supply Zone Management Plan so as to provide key	Multiple	Watercare	13/01/2020	30/10/2020	-

		design criteria for WS transmission projects.						
Water Supply	Wesley Area 2 - BSP and Watermain Upgrades	New bulk supply point and water supply mains to boost water supply into the Hillsborough zone.	Wesley	Shovel Ready	28/05/2021	8/08/2023	\$ 9(2)(j)	
Water Supply	Waikōwhai Water Pump Station and Watermains	Develop a new booster pump station and suction main to provide capacity for existing and future development.	Waikōwhai	Shovel Ready	2/11/2020	28/06/2024		
Total								

### Top 10 Precinct Risks

The table below identifies the top 10 risks within the Roskill and Oranga LSP and assigns a risk category and level to each risk.

Mt Roskill: Top 10 Risks - by contribution					
ID	Risk Title	Status	Owner	Current Risk Level	Project
2396	Existing infrastructure is in poorer condition leading to additional costs incurred to upgrade to current specification	Open	Tomas Ussher	Extreme: 23	Wesley
2608	Transpower don't proceed with the removal of overhead transmission pylons impacting ability to develop the land in close proximity of the powerlines resulting in lower yield than expected	Open	Zaid Al-Jubbawey	Extreme: 21	Waikowhai
3603	Kainga Ora Proposed Plan Change is unsuccessful / not adopted resulting in lower yield than expected	Open	Tim Hillier	High: 20	Wesley
2606	Inability to secure funding agreements with CCO's for hard and/or soft infrastructure leading to additional costs to upgrade infrastructure resulting lower yield	Open	Umesh Daya	High: 18	Waikowhai
2552	Requirement for interim waste water infrastructure if Central Interceptor (CI) is delayed which constrains development beyond 2026	Open	Tomas Ussher	High: 18	Precinct
2064	Not achieving a commercially viable project for Kainga Ora - Sales not achieving expected values/low market absorption impacting planned revenue	Open	Tim Hillier	High: 18	Wesley
3618	Kainga Ora share of Waikowhai pump station project exceeding approved Budget	Open	Umesh Daya	High: 18	Waikowhai
2584	Council consent processing timeframes extend leading to delays (including RC, EPA, works over)	Open	Robert Graham	High: 16	Waikowhai
191	Rehousing capacity for Kainga Ora tenants constrains Mt Roskill delivery programme	Open	Robert Graham	High: 16	Precinct
2416	Covid-19 - Delays and increased costs	Open	Robert Graham	Moderate: 13	Precinct

DRAFT: FOR DISCUSSION

Quantitative Risk Analysis (QRA) P50 Output Table

The table below shows the outputs of the QRA. The final P50 contingency value consists of an inherent risk component and a discrete risk component.

There is a \$9 million difference between the \$129 million contingency shown in the business case and the \$120 million P50 value shown in the table below. This is because the QRA was re-run in early 2022 to reflect updated cost numbers from December 2021. At a portfolio level, across Mangere, Roskill, Oranga and Tāmaki, the total contingency variance is \$9 million. To be prudent, the original contingency value was retained in the business case.



**Mt Roskill Precinct**  
Portfolio Business Case Risk Analysis - 24 February 2022



INHERENT RISK ANALYSIS (RATE & QUANTITY UNCERTAINTY)								
	Revised Forecast	P5	P50	P70	P80	P85	P90	P95
Land Development Cost Estimate (ex Wesley)	\$ 487,400,096.00	\$ 291,319.00	\$ 16,496,087.00	\$ 23,422,758.00	\$ 28,047,758.00	\$ 30,776,762.00	\$ 33,932,669.00	\$ 38,456,879.00
Precinct Infrastructure (ex Wesley)	\$ 206,930,000.00	\$ 8,147,480.00	\$ 19,965,988.00	\$ 24,717,058.00	\$ 27,567,113.00	\$ 29,351,726.00	\$ 31,765,984.00	\$ 34,978,612.00
Other Precinct Costs (ex Wesley)	\$ 129,623,616.00	\$ 1,966,716.00	\$ 5,658,198.00	\$ 8,495,347.00	\$ 10,205,780.00	\$ 11,170,387.00	\$ 12,487,067.00	\$ 14,062,430.00
<b>Sub-Total (ex Wesley)</b>	<b>\$ 823,953,684.00</b>	<b>\$ 9,022,877.00</b>	<b>\$ 42,119,214.00</b>	<b>\$ 56,635,163.00</b>	<b>\$ 65,818,651.00</b>	<b>\$ 71,297,895.00</b>	<b>\$ 78,195,720.00</b>	<b>\$ 87,497,921.00</b>
Land Development Cost Estimate (Wesley Only)	\$	\$	\$	\$	\$	\$	\$	\$
Precinct Infrastructure (Wesley Only)	\$ 244,363,786.00	\$ 13,747,506.00	\$ 31,389,230.00	\$ 40,237,759.00	\$ 46,155,866.00	\$ 49,625,272.00	\$ 53,883,314.00	\$ 59,686,052.00
Other Precinct Costs (Wesley Only)	\$	\$	\$	\$	\$	\$	\$	\$
<b>Sub-Total (Wesley Only)</b>	<b>\$ 244,363,786.00</b>	<b>\$ 13,747,506.00</b>	<b>\$ 31,389,230.00</b>	<b>\$ 40,237,759.00</b>	<b>\$ 46,155,866.00</b>	<b>\$ 49,625,272.00</b>	<b>\$ 53,883,314.00</b>	<b>\$ 59,686,052.00</b>
<b>TOTAL COSTS</b>	<b>\$ 1,068,317,470.00</b>	<b>\$ 22,770,383.00</b>	<b>\$ 73,508,444.00</b>	<b>\$ 96,872,922.00</b>	<b>\$ 111,974,517.00</b>	<b>\$ 120,923,157.00</b>	<b>\$ 132,059,034.00</b>	<b>\$ 147,163,973.00</b>
<b>INHERENT CONTINGENCY (Cost Only)</b>		<b>\$ 22,770,383.00</b>	<b>\$ 73,508,444.00</b>	<b>\$ 96,872,922.00</b>	<b>\$ 111,974,517.00</b>	<b>\$ 120,923,157.00</b>	<b>\$ 132,059,034.00</b>	<b>\$ 147,163,973.00</b>
DISCRETE RISK ANALYSIS (THREATS & OPPORTUNITIES)								
	P5	P50	P70	P80	P85	P90	P95	
Mt Roskill Risk Register Analysis (Threats & Opportunities)	\$ 20,143,678.00	\$ 34,724,079.00	\$ 40,381,075.00	\$ 43,826,060.00	\$ 46,093,876.00	\$ 48,718,784.00	\$ 52,646,167.00	
<b>TOTAL - PRECINCT</b>	<b>\$ 20,143,678.00</b>	<b>\$ 34,724,079.00</b>	<b>\$ 40,381,075.00</b>	<b>\$ 43,826,060.00</b>	<b>\$ 46,093,876.00</b>	<b>\$ 48,718,784.00</b>	<b>\$ 52,646,167.00</b>	
COMBINED								
	P50	P70	P80	P85	P90	P95		
Contingency Allocation (Inherent Assessment - Cost Only)	\$ 73,508,444.00	\$ 96,872,922.00	\$ 111,974,517.00	\$ 120,923,157.00	\$ 132,059,034.00	\$ 147,163,973.00		
Contingency Allocation (Threats & Opportunities)	\$ 34,724,079.00	\$ 40,381,075.00	\$ 43,826,060.00	\$ 46,093,876.00	\$ 48,718,784.00	\$ 52,646,167.00		
<b>TOTAL CONTINGENCY (INHERENT + DISCRETE)</b>	<b>\$ 108,232,523.00</b>	<b>\$ 137,253,997.00</b>	<b>\$ 155,800,577.00</b>	<b>\$ 167,017,033.00</b>	<b>\$ 180,777,818.00</b>	<b>\$ 199,810,140.00</b>		
<b>PERCENTAGE OF BASE COST (Excludes Revenue)</b>	<b>10.1%</b>	<b>12.8%</b>	<b>14.6%</b>	<b>15.6%</b>	<b>16.9%</b>	<b>18.7%</b>		
<b>CURRENT FORECAST CONTINGENCY</b>	<b>\$82,717,753.00</b>							
<b>UNPROVISIONED EXPOSURE</b>	<b>(\$26,514,770)</b>	<b>(\$64,536,244)</b>	<b>(\$73,082,824)</b>	<b>(\$84,299,280)</b>	<b>(\$98,060,066)</b>	<b>(\$117,092,387)</b>		
	P50	P70	P80	P85	P90	P95		



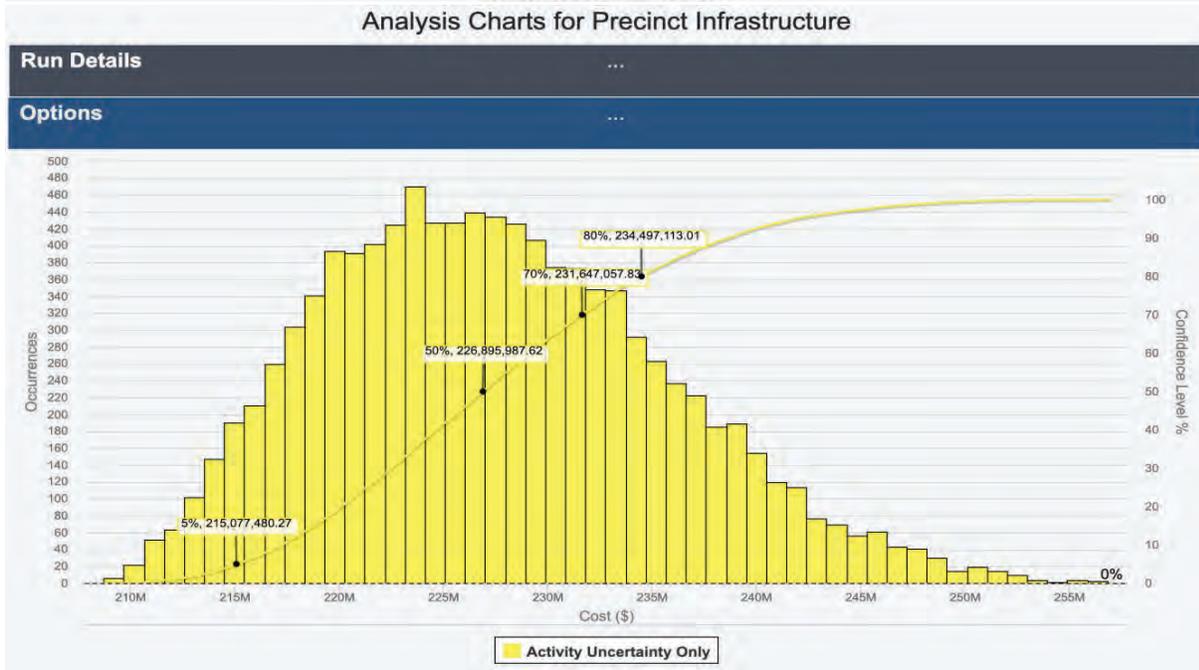
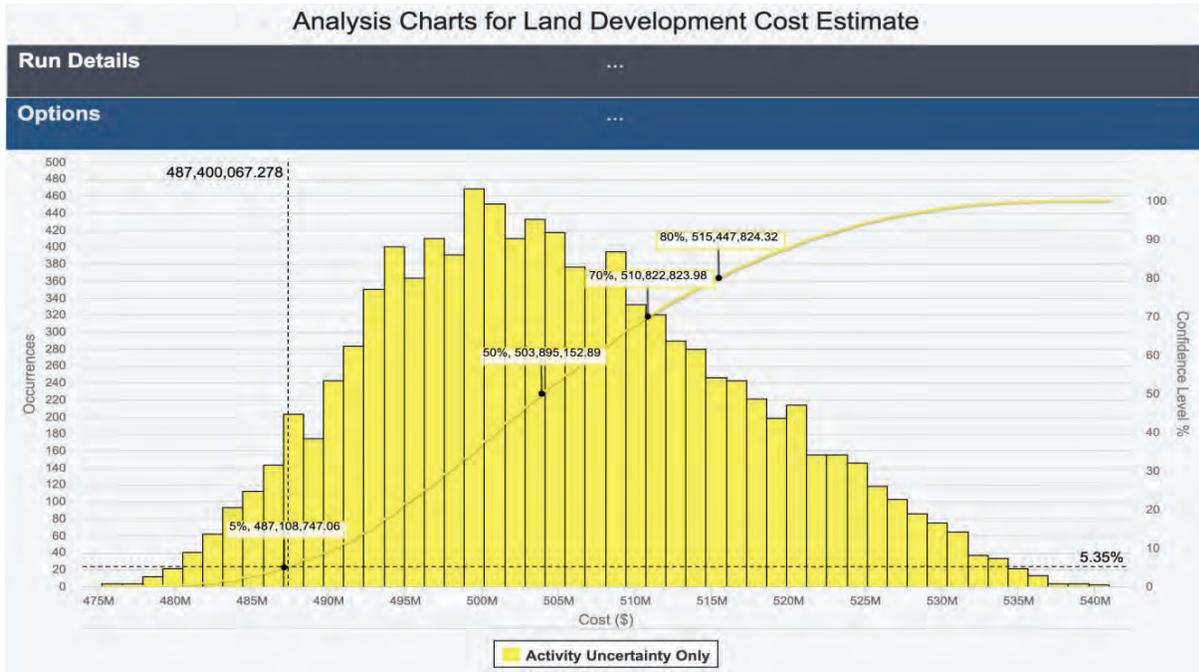
**Oranga Precinct**  
Portfolio Business Case Risk Analysis



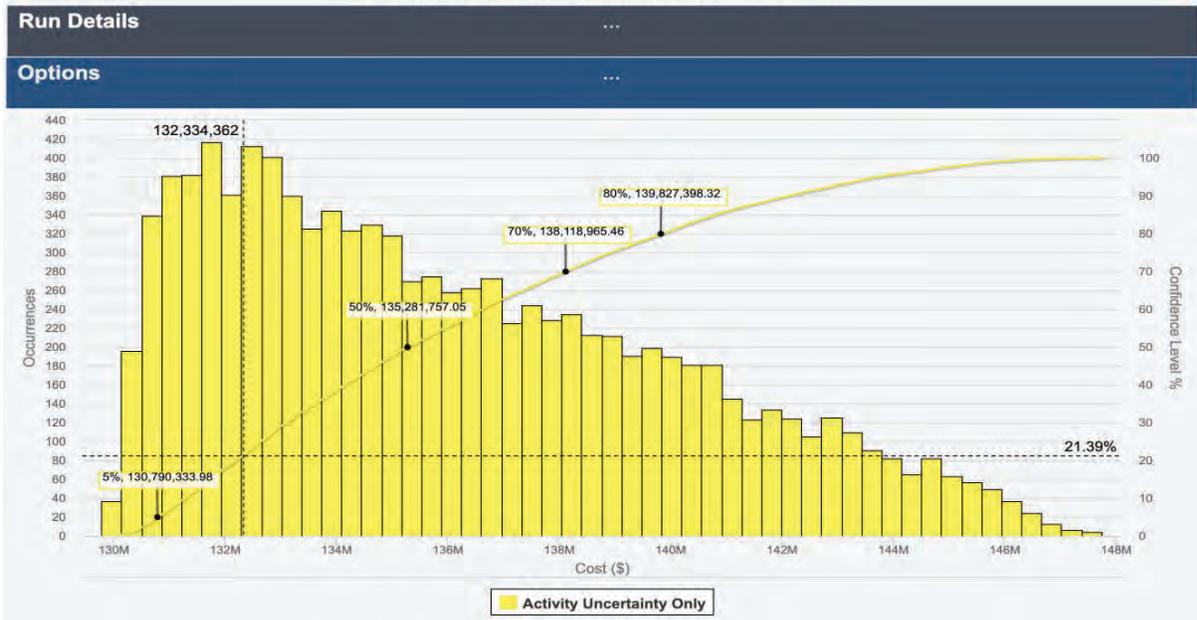
INHERENT RISK ANALYSIS (RATE & QUANTITY UNCERTAINTY)								
	Revised Forecast	P5	P50	P70	P80	P85	P90	P95
Land Development Cost Estimate	\$ 193,407,841.00	\$ 1,340,565.00	\$ 3,098,759.00	\$ 3,951,928.00	\$ 4,541,479.00	\$ 4,931,930.00	\$ 5,433,894.00	\$ 6,211,886.00
Other Precinct Costs	\$ 21,186,541.00	\$	\$	\$	\$	\$	\$	\$
<b>TOTAL COST</b>	<b>\$ 214,594,382.00</b>	<b>\$ 1,340,565.00</b>	<b>\$ 3,098,759.00</b>	<b>\$ 3,951,928.00</b>	<b>\$ 4,541,479.00</b>	<b>\$ 4,931,930.00</b>	<b>\$ 5,433,894.00</b>	<b>\$ 6,211,886.00</b>
<b>INHERENT CONTINGENCY (Cost Only)</b>		<b>\$ 1,340,565.00</b>	<b>\$ 3,098,759.00</b>	<b>\$ 3,951,928.00</b>	<b>\$ 4,541,479.00</b>	<b>\$ 4,931,930.00</b>	<b>\$ 5,433,894.00</b>	<b>\$ 6,211,886.00</b>
DISCRETE RISK ANALYSIS (THREATS & OPPORTUNITIES)								
	P5	P50	P70	P80	P85	P90	P95	
Oranga Risk Register Analysis (Threats & Opportunities)	\$ 2,500,109.00	\$ 8,513,542.00	\$ 10,399,224.00	\$ 11,566,903.00	\$ 12,313,158.00	\$ 13,109,501.00	\$ 14,399,898.00	
<b>TOTAL + PRECINCT</b>	<b>\$ 2,500,109.00</b>	<b>\$ 8,513,542.00</b>	<b>\$ 10,399,224.00</b>	<b>\$ 11,566,903.00</b>	<b>\$ 12,313,158.00</b>	<b>\$ 13,109,501.00</b>	<b>\$ 14,399,898.00</b>	
COMBINED								
	P50	P70	P80	P85	P90	P95		
Contingency Allocation (Inherent Assessment - Cost Only)	\$ 3,098,759.00	\$ 3,951,928.00	\$ 4,541,479.00	\$ 4,931,930.00	\$ 5,433,894.00	\$ 6,211,886.00		
Contingency Allocation (Threats & Opportunities)	\$ 8,513,542.00	\$ 10,399,224.00	\$ 11,566,903.00	\$ 12,313,158.00	\$ 13,109,501.00	\$ 14,399,898.00		
<b>TOTAL CONTINGENCY (INHERENT + DISCRETE)</b>	<b>\$ 11,612,301.00</b>	<b>\$ 14,351,152.00</b>	<b>\$ 16,108,382.00</b>	<b>\$ 17,245,088.00</b>	<b>\$ 18,543,395.00</b>	<b>\$ 20,611,784.00</b>		
<b>PERCENTAGE OF BASE COST (Excludes Revenue)</b>	<b>5.4%</b>	<b>6.7%</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.6%</b>	<b>9.6%</b>		
<b>CURRENT FORECAST CONTINGENCY</b>	<b>\$13,697,494</b>							
<b>UNPROVISIONED EXPOSURE</b>	<b>\$2,085,193</b>	<b>(\$653,668.00)</b>	<b>(\$2,410,888.00)</b>	<b>(\$3,647,694.00)</b>	<b>(\$4,845,901.00)</b>	<b>(\$6,914,290.00)</b>		
	P50	P70	P80	P85	P90	P95		

Cost Risk Analysis (Roskill)

The tables and figures below show the results of the inherent risk analysis of the different cost components.



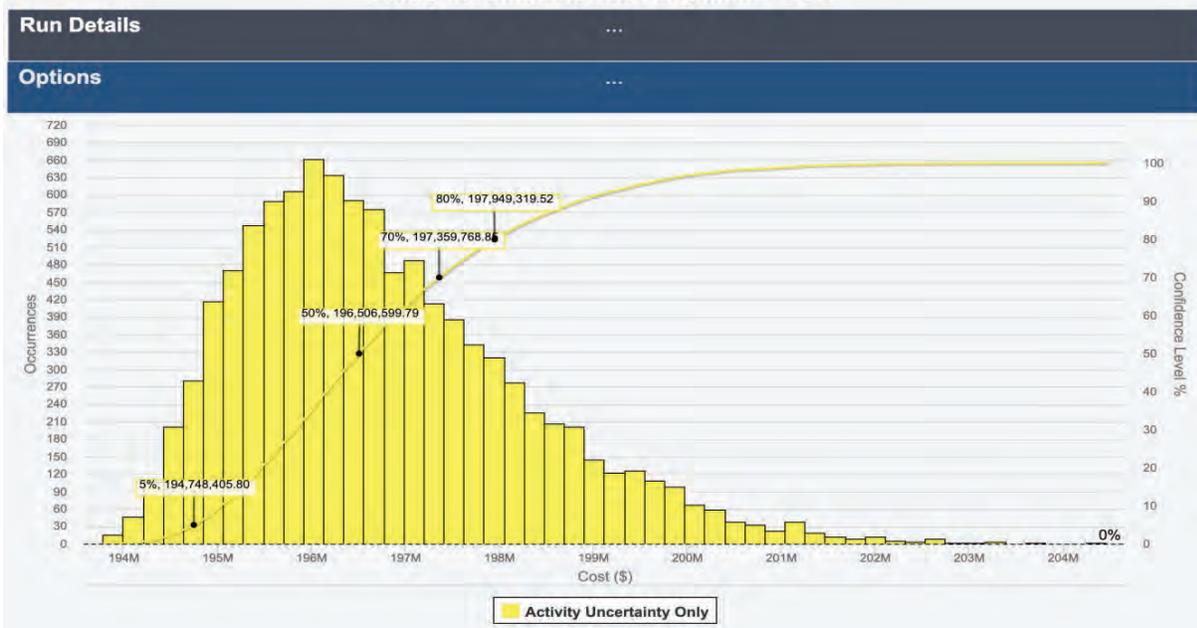
DRAFT: FOR DISCUSSION  
 Analysis Charts for Other Precinct Costs



Cost Risk Analysis (Oranga)

The tables and figures below show the results of the inherent risk analysis of the different cost components.

Analysis Charts for Development Costs



**Appendix O** Governance and Decision-Making Framework for Auckland  
Large-Scale Projects (LSPs)

# **Governance and Decision-Making Framework for Auckland Large-Scale Projects (LSPs)**

**WORKING DRAFT  
COMMERCIAL IN CONFIDENCE  
SUBJECT TO CHANGE FOLLOWING CABINET  
DECISION-MAKING**

## Contents

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## 1. Purpose of this governance and decision-making framework

This governance and decision-making framework describes how key stakeholders will work together to achieve effective governance and decision-making over the four Auckland LSP precincts:

- Mt Roskill and Oranga
- Mangere
- Tamaki.

The stakeholders considered as part of this framework are:

- Shareholding Ministers and Cabinet of the New Zealand Government
- Kāinga Ora – Homes and Communities (“Kāinga Ora”)
- Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development (HUD)
- Auckland Council
- Transport infrastructure owners, including Auckland Transport and Waka Kotahi NZ Transport Agency (Waka Kotahi)
- Water infrastructure owners, including Healthy Waters (part of Auckland Council) and Watercare

Specifically, the framework describes the roles and responsibilities of these stakeholders with regards to:

- Governance and decision-making
- How business case and change control will work (post-approval of the three precinct business cases)
- How LSPs will be monitored and reported on
- How effective assurance over LSP delivery will be achieved
- How funding commitments will be managed
- How risks and issues will be managed
- How stakeholder relationships will be managed.

## 2. Structure and relationships

The LSP governance structure and relationships are shown in figure 1 and explained in more detail below.

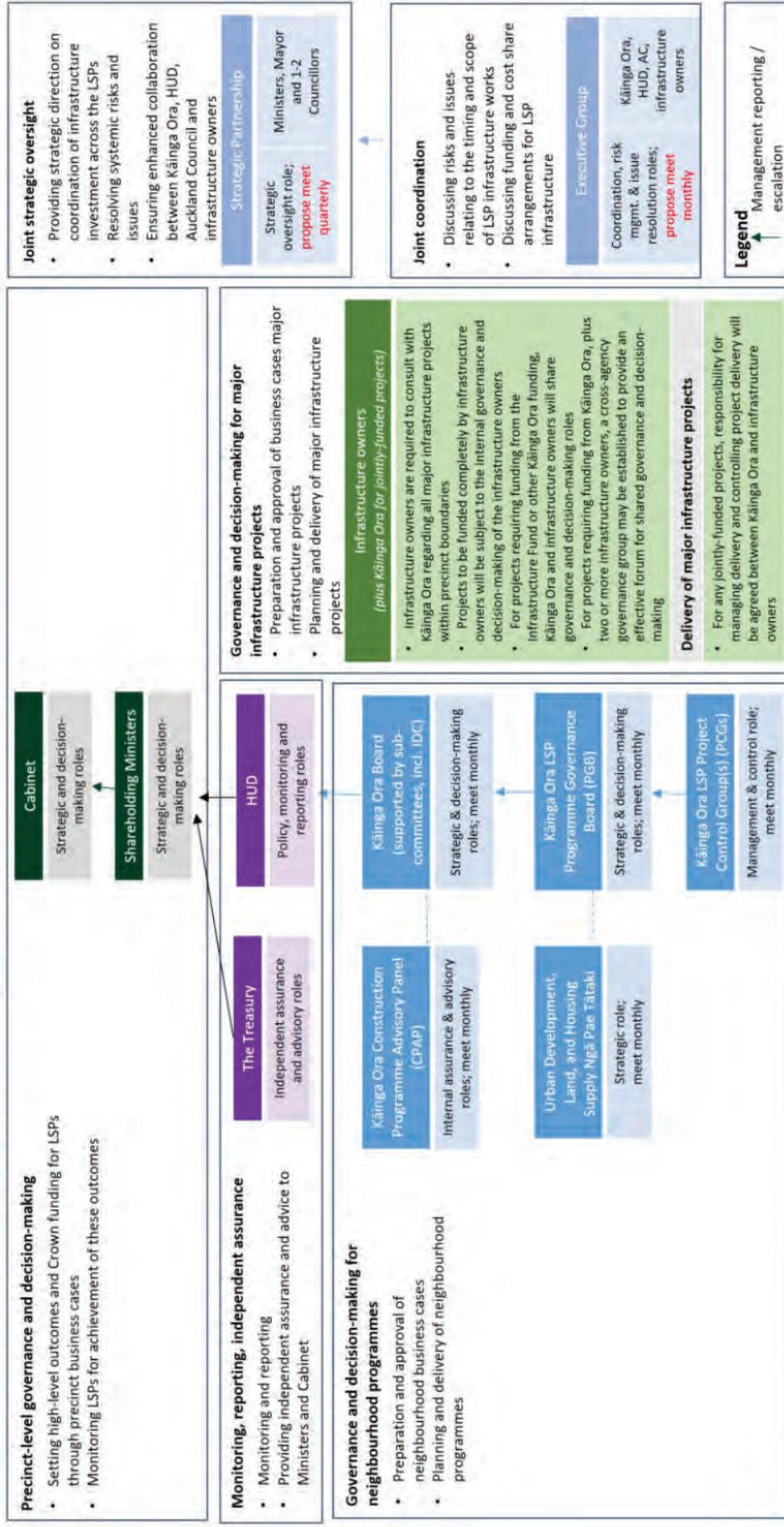


Figure 28: High level overview of LSP governance structure and relationships

## 2.1 Cabinet and Shareholding Ministers

### 6.1.1.2 Role

Cabinet and Shareholding Ministers are responsible for setting the high-level outcomes and level of Crown funding for LSPs through precinct business cases (one for each precinct), and for monitoring LSPs for the achievement of these outcomes.

### 6.1.1.3 Investment decision-making authority

Cabinet must approve all precinct business cases, and any variations requiring additional Crown funding.

Housing Ministers must approve all variations to precinct business cases as they pertain to reduction in houses enabled or where increases in Crown investment is required

### 6.1.1.4 Requirements for consultation

When preparing neighbourhood business cases Kāinga Ora will consult with Shareholding Ministers as per the requirements of Cabinet Office Circular CO(19)6, or any specific cabinet decisions on LSPs.

## 2.2 HUD and Treasury

### 6.1.1.5 Role

HUD is the agency responsible for New Zealand's housing and urban development policy, and as such sets the policy environment in which precinct business cases are developed.

HUD is also the primary monitor of Kāinga Ora, and is responsible for monitoring and reporting to Shareholding Ministers on LSP progress and performance. The Housing Acceleration Fund (HAF) includes resourcing to enable HUD to monitor these activities.

Monitoring will be achieved via existing channels, which includes full visibility of Kāinga Ora reporting and assurance activities as set out in this framework.

The Treasury (as a monitor) is responsible for providing independent assurance and advice to Shareholding Ministers and Cabinet. The Treasury (as a system leader) is responsible for facilitating periodic Gateway Review of the LSPs.

### 6.1.1.6 Investment decision-making authority

Neither HUD nor the Treasury have any authority to make investment decisions with respect to LSPs.

### 6.1.1.7 Requirements for consultation

All business cases and variations requiring Ministerial or Cabinet approval must be prepared in consultation with HUD and the Treasury (as a monitor).

## 2.3 Kāinga Ora

### 2.3.1 Board of Directors

#### 6.1.1.8 Role

The Kāinga Ora Board of Directors is wholly accountable for the delivery of LSPs in line with the precinct business cases.

#### 6.1.1.9 Investment decision-making authority

The Kāinga Ora Board of Directors (or delegate) must approve all neighbourhood business cases prepared by Kāinga Ora, as well as any variations to these business cases. In doing so the Board of Directors must ensure neighbourhood approvals align with the precinct business cases.

#### 6.1.1.10 Requirements for consultation

All business cases and variations requiring Board of Directors approval must be prepared in consultation with the Board.

### 2.3.2 LSP Programme Governance Board (PGB)

The Kāinga Ora LSP PGB is responsible for overseeing all urban development activity funded through neighbourhood business cases.

At a high level, its responsibilities include endorsing neighbourhood business cases to the Kāinga Ora Board for approval, ensuring the neighbourhood programmes are delivered in accordance with approved Precinct business cases, and supporting these programmes to achieve their vision and objectives within the bounds of approved budget and resources.

The LSP PGB is also responsible for ensuring that risks and issues are appropriately managed, and that issues beyond its mandate are escalated through the appropriate channels.

### 2.3.3 LSP Programme Control Group (PCG)

The Kāinga Ora LSP PCG supports the PGB in its governance of urban development activity. At a high level its responsibilities include managing and controlling the neighbourhood programmes to ensure activity remains within current approvals.

## 2.4 Major infrastructure projects

### 6.1.1.11 Project governance and decision-making

Infrastructure owners are required to consult with Kāinga Ora regarding all major infrastructure projects within precinct boundaries.

Projects to be funded completely by infrastructure owners will be subject to the internal governance and decision-making of the infrastructure owners

For projects requiring funding from the Infrastructure Fund or other Kāinga Ora funding, Kāinga Ora and infrastructure owners will share governance and decision-making roles.

Shared accountabilities and responsibilities will include:

- Approving major infrastructure business cases
- Supporting these projects to achieve their vision and objectives within the bounds of approved budget and resources
- Managing risks and issues, and escalating these as need through the appropriate channels
- Agreeing timing, scope and delivery processes

For projects requiring funding from Kāinga Ora, plus two or more infrastructure owners, a cross-agency group(s) may be established to provide an effective forum for shared governance and decision-making.

Such groups would have the same accountabilities and responsibilities as listed above. However, with regard to business case approvals, the cross-agency groups would not approve, rather endorse business cases. These business cases would then need to be individually approved by the parties involved.

### 6.1.1.12 Project delivery

For any jointly funded projects, responsibility for managing and controlling project delivery will be agreed between Kāinga Ora and infrastructure owners on a project-by-project basis.

## 2.5 Joint oversight and coordination

### 2.5.1 Strategic Partnership

#### 6.1.1.13 Purpose

The strategic partnership group (name TBC) has an oversight role and is responsible for:

- Providing strategic direction with regard to coordination of infrastructure investment across the portfolio of LSPs
- Helping to address and resolve systemic risks and issues
- Ensuring enhanced collaboration between Kāinga Ora, HUD, Auckland Council, and infrastructure owners

#### 6.1.1.14 Investment decision-making authority

The strategic partnership group does not have any authority to make investment decisions with respect to LSPs, nor individual infrastructure owner investments.

#### 6.1.1.15 Requirements for consultation

The strategic partnership group must be consulted on all neighbourhood programmes and major infrastructure projects requiring Ministerial consultation.

#### 6.1.1.16 Membership

Membership of the strategic partnership group is yet to be confirmed, but will likely include relevant Ministers and the Mayor.

#### 6.1.1.17 Meeting frequency

The committee is expected to meet once a quarter.

#### 6.1.1.18 Secretariat

Administrative support for the committee will be provided by HUD.

## 2.5.2 Executive Group

### 6.1.1.19 Purpose

The executive group is a joint committee of senior stakeholders who are involved in planning and delivery of infrastructure works across the portfolio of LSPs.

It is a high-level point of coordination between Kāinga Ora, HUD, Auckland Council, and infrastructure owners, and is a forum to discuss issues relating to:

- Funding and cost share of infrastructure works required for LSPs
- Timing and scope of infrastructure works required for LSPs.

### 6.1.1.20 Investment decision-making authority

The executive group does not have any authority to make investment decisions with respect to LSPs, nor the investment decisions of infrastructure owners.

### 6.1.1.21 Membership

Membership of the steering committee is to include appropriate representatives from:

- Kāinga Ora
- HUD
- Auckland Council
- Transport infrastructure owners, including Auckland Transport and Waka Kotahi NZ Transport Agency (Waka Kotahi)
- Water infrastructure owners, including Healthy Waters (part of Auckland Council) and Watercare.

### 6.1.1.22 Meeting frequency

The committee is expected to meet once a quarter at a minimum, or greater if deemed necessary by the committee.

### 6.1.1.23 Secretariat

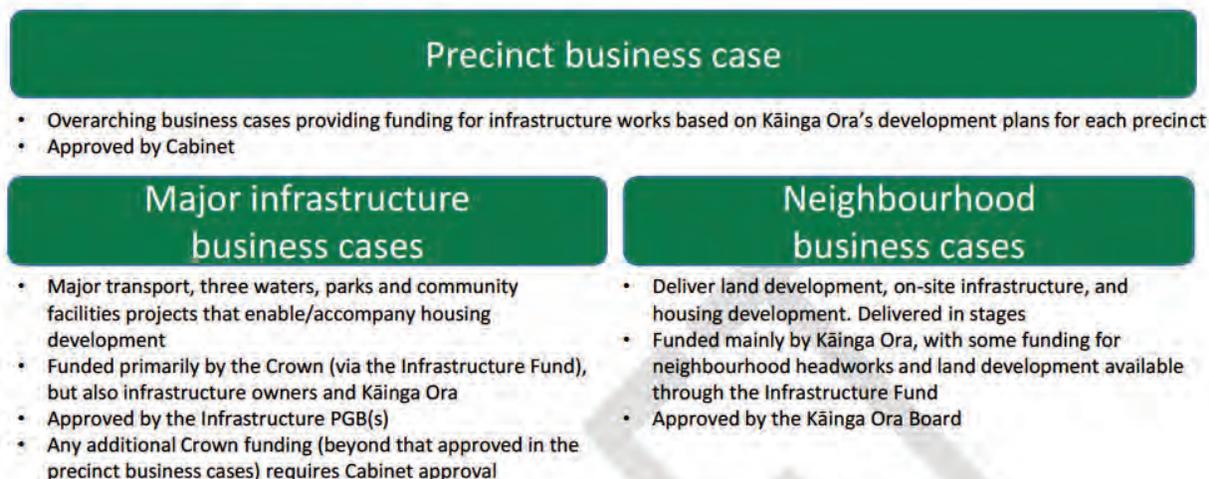
Administrative support for the committee will be provided by Kāinga Ora.

## 3. Business case framework and change control

### 3.1 Business case framework

The business case framework for LSPs is shown in Figure 29, and explained in more detail below.

Figure 29: Business case framework



#### 3.1.1 Precinct business cases

Each precinct (Mt Roskill/Oranga, Mangere, and Tamaki) will have its own precinct business case. These are the overarching business cases that provide Crown funding towards major infrastructure projects, neighbourhood headworks, and land-development based on Kāinga Ora’s development plan for each precinct.

##### 6.1.1.24 Precinct business cases approvals

The precinct business cases are approved by Cabinet, due to the Crown funding required. Prior to Cabinet approval, each precinct business case will be approved by the Kāinga Ora Board, as the Board is accountable for the delivery of the programme and for the financial sustainability of Kāinga Ora.

The Board will consider whether to approve the business case and submit it to Cabinet for approval based on the advice of the LSP PGB and the Board’s Investment Delivery Committee (IDC).

#### 3.1.2 Neighbourhood business cases

Sitting under each precinct business case will be a number of neighbourhood business cases – one for each neighbourhood programme. Individual neighbourhoods may range in size from a few city blocks to an entire suburb.

These business cases provide funding for neighbourhood headworks, land development, and housing development. Neighbourhood programmes are typically delivered in multiple stages.

##### 6.1.1.25 Neighbourhood business case approvals

Neighbourhood business cases draw on Crown and Council funding approved by the precinct business case, and will be approved by the Kāinga Ora Board, taking into account advice from the LSP PGB and Investment Delivery Committee (IDC).

However if circumstances change and a neighbourhood business case is not within the precinct budget and requires additional Crown funding, then a variation to the precinct business case must also be submitted for Cabinet approval.

Under the proposed targeted approach, some neighbourhood business cases (that meet agreed criteria) will be deemed ‘strategic’ and will also require Ministerial and/or Cabinet approval.

#### 3.1.3 Major infrastructure business cases

Also sitting under the precinct business cases are major infrastructure business cases. These business cases provide funding for large-scale infrastructure projects that are needed to realise the wider redevelopment potential of a precinct.

They are outside the scope of neighbourhood headworks and land development (captured in neighbourhood business cases), and generally:

- Either span across neighbourhoods, or are required outside a neighbourhood; and
- Are required to be implemented prior to, or in coordination with, neighbourhood headworks.

Examples of such projects include major transport, three waters, parks, and community facilities projects.

#### **6.1.1.26 Infrastructure business case approvals**

Due to the shared objectives, collaboration required, and potentially multiple funders, proposed major infrastructure business cases should be discussed between Kāinga Ora and infrastructure owners.

Where joint funding is required, Kāinga Ora and infrastructure owners will share governance and decision-making roles. This includes all parties involved approving the business cases.

Following business case approval, one party (either Kāinga Ora or the infrastructure owner) will be responsible for managing and controlling project delivery within current approvals, and this will be agreed on a project-by-project basis.

### 3.2 Change control

The nature of LSPs means that changes are expected over time. Tolerances allow for minor changes from business case settings without the need for change control.

Change control is needed any time the tolerances are expected to be exceeded. In such cases a business case variation must be prepared and approved.

There are two levels, or degrees of change control, to reflect the multiple levels of governance and decision-making associated with LSPs. The two levels are:

- Precinct tolerances
- Neighbourhood programme and major infrastructure project tolerances.

#### 3.2.1 Precinct tolerances

Precinct tolerances cover fewer dimensions, and focus on the things of greatest importance to the Crown, against which it wishes to control the precincts. These precinct tolerances are the 'hard limits' of the Cabinet approvals, within which all decision-making must operate.

All precinct business cases will include tolerances around the items listed in Table 46.

**Table 46:** Precinct-level tolerances

Tolerance	Description
<b>Total Crown contribution</b>	Maximum Crown contribution to Kāinga Ora costs and infrastructure costs within a precinct (includes broader Crown Entity Investment)
<b>Housing yield</b>	Minimum number of homes enabled (including minimum number of market, affordable, and public houses) by a specified date
<b>Delivery timeframes</b>	Maximum timeframes for delivery of a particular component or stage of the precinct business case

#### 3.2.2 Neighbourhood programme and major infrastructure project tolerances

Neighbourhood programme and major infrastructure project tolerances are applied to a broader range of items. This is to enable a more nuanced approach to managing the LSPs within the broader precinct limits, as well as to support a clear and comprehensive delegation and control structure.

These tolerances will be set and applied by Kāinga Ora and infrastructure owners through their own internal decision-making. However, these tolerances must be used to ensure the precinct as a whole operates within the approved precinct business case.

3.2.3 Approving changes

When a tolerance is expected to be exceeded Kāinga Ora and/or the infrastructure owner must prepare a business case variation and seek the relevant approvals as described in Table 47.

Table 47: Preparing and approving change requests

Scale of change	Requirement for business case variation	Variation prepared by	Variation approved by	Other requirements
Where one or more <b>precinct tolerances</b> will be exceeded	<ul style="list-style-type: none"> <li>Variation to precinct business case required</li> </ul>	<ul style="list-style-type: none"> <li>Kāinga Ora / HUD</li> </ul>	<ul style="list-style-type: none"> <li>Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>Ministerial consultation and endorsement ahead of Cabinet consideration (HUD to coordinate)</li> </ul>
Where one or more <b>neighbourhood programme</b> tolerances will be exceeded, but the precinct will remain within the precinct tolerances	<ul style="list-style-type: none"> <li>Variation to neighbourhood business case required</li> </ul>	<ul style="list-style-type: none"> <li>Kāinga Ora</li> </ul>	<ul style="list-style-type: none"> <li>Kāinga Ora Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Kāinga Ora to inform Ministers via HUD of each approved variation</li> </ul>
Where one more <b>major infrastructure project</b> tolerances will be exceeded, but the precinct remains within precinct tolerances	<ul style="list-style-type: none"> <li>Variation to major infrastructure business case required</li> </ul>	<ul style="list-style-type: none"> <li>Kāinga Ora &amp;/or infrastructure owner</li> </ul>	<ul style="list-style-type: none"> <li>Kāinga Ora Board of Directors &amp;/or infrastructure owner internal governance</li> </ul>	<ul style="list-style-type: none"> <li>Kāinga Ora and or infrastructure owner to inform Ministers via HUD of each approved variation</li> </ul>

## 4. Monitoring and reporting

### 4.1 Monitoring

HUD will monitor LSP delivery and will provide updates to Ministers and Cabinet as required. HUD is the primary monitor of the LSPs, and will liaise with Kāinga Ora on the behalf of other monitoring agencies, such as the Treasury, DPMC, Infrastructure Commission, etc.

In order to support its ability to monitor the LSPs, Kāinga Ora will operate the LSPs on the basis of full transparency. This means providing HUD with access to all information provided to Kāinga Ora LSP PGB on a monthly basis.

### 4.2 Reporting

#### 4.2.1 Summary-level precinct reporting

As a part of its quarterly report, Kāinga Ora will provide the Ministers, via HUD, with information on its progress and performance compared to the approved precinct business cases, inclusive of any infrastructure investment covered by the precinct business case.

This reporting is to provide a clear and accurate forecast view of performance against precinct business case approvals, including forecast against precinct tolerances and performance requirements.

The steering committee will likewise provide consolidated precinct-level reporting on a quarterly basis.

#### 4.2.2 Comprehensive programme reporting

In addition to the above, each month Kāinga Ora will provide HUD with its full LSP PGB reporting packs for that month.

The LSP PGB reports must meet the requirements outlined in Table 48. Suitable commentary should be provided on each of these requirements.

PGB reporting must show a breakdown by neighbourhood and major infrastructure.

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Table 48: Summary of requirements for LSP PGB reporting (to be shared with HUD)

Requirement	Purpose	Requirement Summary
<b>Financial</b>	To provide information on revenue and expenditure, and expected financial performance relevant to each neighbourhood or major infrastructure investment. For each, actuals and budget/forecast figures are compared with the approved baseline and any variances are narrated.	<ul style="list-style-type: none"> <li>• Show costs, revenue and net cash position at neighbourhood, major infrastructure, and combined precinct level:               <ul style="list-style-type: none"> <li>- current approved revenue budget (after any change control) and forecast revenue at completion</li> <li>- current approved expenditure budget (after any change control) and forecast expenditure at completion</li> <li>- net cash position                   <ul style="list-style-type: none"> <li>- original net cash budget</li> <li>- current approved net cash budget (after any change control)</li> <li>- inception (life)-to-date, forecast at completion</li> <li>- variance from currently approved budget</li> <li>- indication that variance is within financial tolerances</li> <li>- narrative around any net cash variance.</li> </ul> </li> </ul> </li> <li>• Forecast performance against precinct financial tolerances taking into account contingency and works yet to be approved</li> </ul>
<b>Benefits Management</b>	To show whether the precinct, neighbourhood and major infrastructure Benefits Management Plan is up to date (compliance) and whether they are on track to deliver on intended benefits and outcomes (performance).	<ul style="list-style-type: none"> <li>• Indication of the status of approved Benefits Management Plan against progress, including an owner and measure for all identified benefits. Indicate the outcome themes that are met from the intended benefits.</li> <li>• Reporting of progress tracking for benefits included within the Benefits Management Plan, including whether the programme is on track to deliver on its intended investment benefits and outcomes. Provide a narrative for any variance and a plan for reporting on benefits once closed.</li> </ul>

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Requirement	Purpose	Requirement Summary
<b>Health and Safety</b>	Provide PGB assurance that health and safety management plans are in place and being actively managed with implementation such as safe processes and toolbox talks. Risks, issues and incidents needing PGB attention are highlighted.	<ul style="list-style-type: none"> <li>• Indication of an appropriate and up to date health and safety management plan for all precincts, with confirmation that Kāinga Ora and partners have the capability to deliver the plan.</li> <li>• Reporting of overarching health and safety status of the LSP programme, with details of any significant issues, risks or incidents.</li> </ul>
<b>Māori Aspirations</b>	Demonstrate how we support and enable the aspirations of Māori, how we identify and protect Māori interests and their taonga, partner early, and offer Māori opportunities to participate in relation to urban development.	<ul style="list-style-type: none"> <li>• Confirmation that the precincts are working with Māori to deliver outputs as specified in the Māori Outputs Statement, including the number of opportunities offered and number of opportunities accepted. Provide details of any current relationship issues with Māori interested in the precincts, including a full description of any severe relationship issues.</li> </ul>
<b>Phase Gate Milestones</b>	Demonstrate where neighbourhoods (including stages) and major infrastructure investments are in the IMF Lifecycle phases and gives notice of any upcoming gateway documents requiring attention by the PGB.	<ul style="list-style-type: none"> <li>• Show progress of Gateway documents through the Investment Management Framework for the precincts, with a narrative for any variance from planned dates.</li> </ul>
<b>Risk</b>	Informs the PGB how the precincts are managing threats and opportunities, including the possible impact on cost, time, public relations, legal and other criteria using the Risk Management Framework.	<ul style="list-style-type: none"> <li>• Confirmation that the precincts are actively and effectively managing risk within their risk tolerance levels, highlighting any risk moving up in accountability towards Executive or Pae level.</li> <li>• Provide reporting on all risks and opportunities falling into the high impact/high likelihood category.</li> </ul>
<b>Programme Schedule (pipeline)</b>	Demonstrate the volume of land enabled delivery over time, with information on any variance from approved baseline metrics, including precinct performance requirements in this charter document	<ul style="list-style-type: none"> <li>• Show current approved actual deliveries to-date and forecast deliveries at completion (including forecast deliveries for yet to be approved neighbourhoods), with a narrative around any variance or issues.</li> </ul>

## 5. Assurance over LSP delivery

### 5.1 Internal assurance

As a part of its on-going assurance activity, Kāinga Ora will conduct internal assurance reviews of the LSPs, which will be set out in the annual assurance plan agreed with the Finance, Risk and Assurance Committee of the Kāinga Ora Board of Directors. The Board of Directors will be responsible for acting on the results of these reviews, and any findings that significantly impact on overall precinct outcomes will be discussed with HUD.

In addition to formal assurance reviews, the Construction Programmes Advisory Panel will maintain visibility across all LSPs, including the operation of the LSP PGB, and provide independent advice to the Investment and Delivery Committee of the Kāinga Ora Board, both via regular reporting and also via review or input to major investment decisions.

### 5.2 Gateway Review

An initial Gateway Review (Strategic Assessment) of the LSPs was completed in June 2021. Additional Gateway Reviews may be undertaken as the LSPs progress, with the expectation of an annual Gateway Review (Strategic Assessment) over the entire LSP portfolio, supported by specific focused gateway reviews as determined necessary by both the Treasury and the SRO.

### 5.3 Independent Quality Assurance (IQA)

From time-to-time Cabinet or Shareholding Ministers may also commission an IQA review of the LSPs – either the entire LSP portfolio, or alternatively any individual component or aspect of the LSP portfolio. IQA reviews are different from Gateway in that they involve a more in depth review of project processes and documentation.<sup>13</sup>

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<sup>13</sup> For more information about Gateway and IQA see the Te Kawa Mataaho Public Service Commission website [publicservice.govt.nz](http://publicservice.govt.nz).

## 6. Management of funding commitments

### 6.1 A new funding model

The funding model for LSPs involves the Crown stepping in to directly fund core infrastructure. Alongside the Crown, Kāinga Ora will be investing heavily in land development, on-site infrastructure, and housing construction, and infrastructure owners will be contributing to the cost of infrastructure.

### 6.2 LSP funders

LSP funders include:

- The Crown, through the Infrastructure Fund
- Kāinga Ora, with this funding coming mainly from land sales associated with LSPs
- Transport infrastructure owners, including Auckland Transport and Waka Kotahi NZ Transport Agency (Waka Kotahi)
- Water infrastructure owners, including Healthy Waters (part of Auckland Council) and Watercare
- Auckland Council’s other entities, including Community Facilities
- Utility Providers such as Vector and Chorus

### 6.3 Requirements for management of funding commitments

Table 49 summarises what each funder requires in terms of the way funding commitments are managed.

**Table 49: Management requirements**

Funder	Requirements
<b>The Crown</b>	<ul style="list-style-type: none"> <li>• Ministers need to be comfortable with the level of control, assurance, and decision-making guiding the investment</li> <li>• Ministers need confidence that the approach to managing funding commitments is set up for longer success over the 10–20 year life of each precinct, and can be used as a template for any future LSPs</li> <li>• Fiscal risk to the Crown, arising from a failure of other parties to uphold their funding commitments, must be effectively managed</li> </ul>
<b>Kāinga Ora</b>	<ul style="list-style-type: none"> <li>• Kāinga Ora needs certainty around funding from other funders, in order to effectively plan and budget for LSPs</li> </ul>
<b>Infrastructure owners</b>	<ul style="list-style-type: none"> <li>• Infrastructure owners need clarity around LSP plans, so they may set aside agreed funding in their investment plans</li> </ul>

### 6.4 How funding commitments will be managed

Discussion of issues relating to funding and cost share for major infrastructure projects within precinct boundaries will occur through the strategic governance group and steering committee.

In addition strategic conversations between Kāinga Ora, the Crown, and Auckland Council about the long-term funding and financing of Auckland’s infrastructure needs will occur through the Auckland Strategic Governance Group.

## 7. Risk and issue management

Table 50 outlines responsibilities for managing risks and issues at the precinct-level, as well as for neighbourhood programmes and major infrastructure projects.

**Table 50: Risk and issue management**

Level	Risk and issue management responsibilities
<b>Precinct-level</b>	<ul style="list-style-type: none"> <li>• Risks and issues for precincts will be managed by the Kāinga Ora Board</li> <li>• Precinct-level risk and issues registers will be prepared and maintained</li> <li>• Major risks and issues with the ability to significantly impact overall precinct outcomes are to be escalated to Ministers</li> </ul>
<b>Neighbourhood-level</b>	<ul style="list-style-type: none"> <li>• Risk and issues for neighbourhoods will be managed by the LSP PGB</li> <li>• Neighbourhood-level risk and issues registers will be prepared and maintained</li> <li>• Risks and issues with the ability to significantly impact overall neighbourhood outcomes are to be escalated to the Kāinga Ora Board of Directors</li> </ul>
<b>Major infrastructure projects</b>	<ul style="list-style-type: none"> <li>• Risks and issues for major infrastructure projects will be managed by those responsible for project governance. This will include infrastructure owners, as well as Kāinga Ora (for jointly funded projects)</li> <li>• Major risks and issues are to be escalated to the LSP Infrastructure Steering Committee</li> </ul>

## 8. Stakeholder management

The table below provides a high-level assessment of key LSP stakeholders and their engagement requirements.

**Table 51:** High level stakeholder management plan

Stakeholder	Relevance	Engagement requirements	How managed?
Infrastructure delivery alliances / partners	<ul style="list-style-type: none"> <li>Will deliver infrastructure works</li> <li>Ability to deliver will influence the progress and performance of the LSPs</li> <li>Will need a clear view of the pipeline of work across the three Auckland precincts</li> </ul>	<ul style="list-style-type: none"> <li>Will need regular ongoing engagement with Kainga Ora and infrastructure owners throughout the planning and delivery of the works</li> </ul>	<ul style="list-style-type: none"> <li>Kainga Ora and infrastructure owners to manage relationship with delivery alliances / partners</li> </ul>
Shareholding Ministers and Cabinet	<ul style="list-style-type: none"> <li>Ultimately accountable for the use of taxpayer funds</li> <li>Must ensure that LSPs deliver good urban development and housing outcomes in a cost effective manner</li> <li>Approval roles with respect to precinct business cases and variations</li> <li>Require early notice of major risks and issues that have the potential to significantly impact precinct outcomes</li> <li>Responsible for making major public announcements regarding LSPs</li> </ul>	<ul style="list-style-type: none"> <li>Will need to be thoroughly informed regarding upcoming precinct business case approvals and variations</li> <li>Will need to be kept up to date regarding LSP progress and performance</li> <li>At times will request additional information about LSPs e.g. to support public announcements</li> </ul>	<ul style="list-style-type: none"> <li>HUD to coordinate Ministerial consultation on and Cabinet approval of precinct business cases and any variations</li> <li>HUD to monitor LSP progress and performance and provide reports to Ministers and Cabinet</li> <li>Kainga Ora to operate will full transparency and make all needed information available to HUD</li> </ul>
Treasury	<ul style="list-style-type: none"> <li>Will conduct Gateway Reviews from time-to-time (last Gateway Review of LSPs was conducted in June 2021)</li> </ul>	<ul style="list-style-type: none"> <li>Will need to engage with Kainga Ora from time-to-time regarding Gateway Reviews</li> </ul>	<ul style="list-style-type: none"> <li>Kainga Ora responsible for engaging with the Treasury on Gateway Reviews (likely annually)</li> </ul>
Auckland Council	<ul style="list-style-type: none"> <li>Responsible for identifying Auckland's urban development priorities</li> <li>Responsible for setting Auckland's spatial planning rules through the Auckland Unitary Plan (AUP)</li> </ul>	<ul style="list-style-type: none"> <li>Will need regular ongoing engagement with Kainga Ora and HUD around priorities and planned LSP and infrastructure activity</li> </ul>	<ul style="list-style-type: none"> <li>HUD and Kainga Ora both responsible for engaging with Auckland Council regarding LSPs and the AUP</li> <li>Discussions with Auckland Council should have both HUD and Kainga Ora</li> </ul>

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Stakeholder	Relevance	Engagement requirements	How managed?
<p>Transport infrastructure owners: Auckland Transport &amp; Waka Kotahi</p>	<ul style="list-style-type: none"> <li>Responsible for building and maintaining major transport infrastructure</li> <li>Alongside Kainga Ora and the Crown, are expected to fund, govern and manage the delivery of major transport infrastructure projects within precinct boundaries</li> </ul>	<ul style="list-style-type: none"> <li>Will need a clear view of plans and timeframes associated with the Auckland LSPs in order to effectively undertake its own planning</li> <li>Will need a clear view of plans and timeframes associated with the Auckland LSPs in order to plan transport infrastructure effectively</li> <li>Will need to maintain an open dialogue regarding proposed funding arrangements for major transport infrastructure projects</li> </ul>	<p>representatives present, and will be managed through the strategic governance group</p> <ul style="list-style-type: none"> <li>Cross-agency governance arrangements for major infrastructure projects to enable shared governance and decision making where necessary</li> <li>Oversight and coordination of infrastructure works across LSPs to be facilitated by the steering committee and strategic governance group</li> </ul>
<p>Water infrastructure owners: Watercare &amp; Healthy Waters (part of Auckland Council)</p>	<ul style="list-style-type: none"> <li>Responsible for building and maintaining major water infrastructure</li> <li>Alongside Kainga Ora and the Crown, are expected to fund, govern and manage the delivery of major water infrastructure projects within precinct boundaries</li> </ul>	<ul style="list-style-type: none"> <li>Will need a clear view of plans and timeframes associated with the Auckland LSPs in order to plan water infrastructure effectively</li> <li>Will need to maintain an open dialogue regarding proposed funding arrangements for major water infrastructure projects</li> </ul>	<ul style="list-style-type: none"> <li>Cross-agency governance arrangements for major infrastructure projects to enable shared governance and decision making where necessary</li> <li>Oversight and coordination of infrastructure works across LSPs to be facilitated by the steering committee and strategic governance group</li> </ul>
<p>Utility Providers: Vector / Chorus</p>	<ul style="list-style-type: none"> <li>Responsible for building and maintaining energy and communication infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Will need a clear view of plans and timeframes associated with the Auckland LSPs in order to plan infrastructure effectively</li> <li>Will need to maintain an open dialogue regarding proposed funding arrangements for major infrastructure projects</li> </ul>	<ul style="list-style-type: none"> <li>Cross-agency governance arrangements for major infrastructure projects to enable shared governance and decision making where necessary</li> <li>Oversight and coordination of infrastructure works across LSPs to be facilitated by the steering committee and strategic governance group</li> </ul>
<p>Other government agencies providing important public infrastructure and services e.g. Ministry</p>	<ul style="list-style-type: none"> <li>Responsible for building and managing major public infrastructure and services e.g. schools and hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Will need a clear view of plans and timeframes associated with the Auckland LSPs in order to plan public infrastructure and services effectively</li> </ul>	<ul style="list-style-type: none"> <li>Relationship to be managed by Shareholding Ministers, with support from HUD</li> </ul>

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Stakeholder	Relevance	Engagement requirements	How managed?
<p>of Education, Ministry of Health, DHBs etc.</p> <p>Local communities &amp; Local Boards</p>	<ul style="list-style-type: none"> <li>Interested in what LSPs are delivering for them, and any impacts/ disruption associated with the LSPs</li> <li>Local Boards able to influence Auckland Council perspective on LSPs</li> </ul>	<ul style="list-style-type: none"> <li>Will want to be informed about existing plans that may affect them</li> </ul>	<ul style="list-style-type: none"> <li>Relationship will be managed by Auckland Council</li> </ul>
<p>New Zealand public and Parliament</p>	<ul style="list-style-type: none"> <li>Want to know that taxpayer money is being spent appropriately</li> <li>Want to see that LSPs are delivering good urban development and housing outcomes in a cost effective manner</li> </ul>	<ul style="list-style-type: none"> <li>Questions will be asked in Parliament regarding LSP progress and performance</li> <li>The public will expect to be kept up to date on major LSP funding and planning decisions, and completion of major milestones</li> </ul>	<ul style="list-style-type: none"> <li>HUD to author public announcements and coordinate input and review from Kāinga Ora, Council, and others as required</li> <li>HUD to coordinate responses to Parliamentary questions and coordinate input from Kāinga Ora, Council, and others as required</li> <li>HUD to coordinate any approvals required from Ministers and/or Cabinet</li> </ul>
<p>Tāmaki Redevelopment Company (TRC)</p>	<ul style="list-style-type: none"> <li>TRC, through the Tāmaki Regeneration Programme has a separately funded mandate to regenerate a large part of the Tāmaki area in East Auckland</li> <li>will need to be aligned/leveraged</li> </ul>	<ul style="list-style-type: none"> <li>Kainga Ora and HUD needs to work closely with TRC regarding our development plan for Tāmaki</li> <li>Any dependencies must be carefully managed</li> <li>Opportunities to leverage off of each other's investment should be identified</li> </ul>	<ul style="list-style-type: none"> <li>Overall relationship will be managed by Shareholding Ministers, with support from HUD</li> <li>Kāinga Ora and TRC to engage directly on development planning</li> </ul>

## 9. Appendices

### Appendix 1: Infrastructure Fund objectives and investment criteria

#### 6.1.1.27 Infrastructure Fund objectives

The purpose of the Infrastructure Fund is to invest in infrastructure that unlocks housing development. This infrastructure investment will:

- Enable brownfield intensification and Greenfield expansion in locations with access to amenity and opportunity.
- Be limited to investments that would not otherwise be funded, or not funded fast enough to meet demand for housing.
- Maximise value for money including through co-funding, contributions, and commitments from local government and third parties.
- Enable the building of homes that are affordable for low-to-moderate-income households.
- Incentivise councils to use non-funding levers that enable housing development.
- Create a pipeline of investment including near-term and medium-term activity that ramps up sustainably to allow the construction sector to steadily increase its capacity and absorb the investment without price escalation.
- Align with wider government objectives, such as ensuring good urban form, partnerships with iwi and Māori.

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### 6.1.1.28 Infrastructure Fund investment criteria

The Infrastructure Fund investment criteria are shown in the table below.<sup>14</sup>

Criteria	Key factors to be assessed
<p><b>Housing benefits of the proposal (40%)</b> – How will the proposals, if delivered, contribute to the housing outcomes that are the purpose of the Fund?</p>	<ul style="list-style-type: none"> <li>• The number of additional dwellings that the funding will enable relative to demand in that area.</li> <li>• The proportion of lower-cost houses expected to be enabled by the infrastructure (primarily informed by typology of housing expected to be built).<sup>15</sup></li> <li>• The extent to which the location where housing will be enabled has unmet demand and provides access to amenity and opportunity.</li> <li>• The extent to which the infrastructure supports intensification, in particular that required to be enabled by councils under the National Policy Statement on Urban Development (i.e. typology and density).</li> <li>• The extent to which the proposal supports housing development on land owned by Māori and to which mana whenua have been involved in developing the proposed solution.</li> <li>• The extent to which the proposal supports housing development that is environmentally sustainable including through reduced private vehicle use, lower risks from climate change (such as coastal inundation), and supporting water quality and biodiversity.</li> </ul>
<p><b>Impact of funding (additionally) (20%)</b> – How critical is this funding to advancing the infrastructure and housing development?</p>	<ul style="list-style-type: none"> <li>• The impact that this funding will have on the housing development advancing, or on the pace and scale at which it will advance compared to what is currently expected.</li> <li>• Demonstration that other means to fund the infrastructure without displacement of investment elsewhere (i.e. rate rises, prudent borrowing, or use of the IFF framework) have been exhausted.</li> </ul>
<p><b>Cost and co-funding (20%)</b> – How cost effective is the proposal and is everyone paying their fair share?</p>	<ul style="list-style-type: none"> <li>• The average whole-of-government cost per dwelling expected to be enabled by the infrastructure.</li> <li>• Alignment with co-funding principles for the Fund (set out below).</li> </ul>
<p><b>Capability and readiness (20%)</b> – If funding is approved, how certain is it that the project will advance, and at what pace?</p>	<ul style="list-style-type: none"> <li>• The extent to which there are other barriers to housing development that the infrastructure will serve (and how they will be removed if funding is approved).</li> <li>• The degree of developer commitment or interest in building housing quickly.</li> <li>• Demonstrated alignment between all parties including Territorial Authorities, Regional Councils, mana whenua and developers needed to advance the housing development.</li> </ul>

<sup>14</sup> Source: Cabinet Committee Paper titled: “Advancing the housing supply and affordability package”.

<sup>15</sup> Where there is an agreed spatial plan for the areas developed through the Urban Growth Partnerships, this is to be used to guide assessment of this factor.

	<ul style="list-style-type: none"><li>• Confidence in the ability of all parties to deliver the infrastructure and housing as proposed.</li></ul>
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**Appendix 2: High-level RACI – preparing and approving business cases and variations**

The tables below provide a high-level summary of responsibilities for preparing and approving business cases and variations.

**Preparation and approval of business cases; RACI (R= Responsible, A = Accountable, C = Consulted, I = Informed)**

Activity	Cabinet	Shareholding Ministers	HUD	Kāinga Ora / Kāinga Ora Board of Directors	LSP PGB	Infrastructure owners	Steering Committee & Oversight Group
Precinct business cases	A – approve	A – endorse	C	R – prepare A – endorse	C		
Neighbourhood business cases		A – approve (where needed as per CO(19)6)	C – where going to Ministers; R – advise Ministers	R – prepare A – approve, or endorse (if Ministerial approval required)	C		
Major infrastructure business cases – involve funding from Infrastructure Fund or other Kāinga Ora funding		A – approve (where needed as per CO(19)6)	C – where going to Ministers; R – advise Ministers	R – prepare A – approve, or endorse (if Ministerial approval required)	C	R – prepare A – approve (as per own delegations), or endorse (if Ministerial approval required)	C
Major infrastructure business cases – funded and governed 100% by infrastructure owners			C	C		R – prepare A – approve (as per own delegations)	

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Preparation and approval of business case variations; RACI (R= Responsible, A = Accountable, C = Consulted, I = Informed)

Activity	Cabinet	Shareholding Ministers	HUD	Kāinga Ora / Kāinga Ora Board of Directors	LSP PGB	Infrastructure owners	Steering Committee & Oversight Group
Precinct business case variations	A – approve (where additional Crown funding required)	A – approve (all other variations)	C	R – prepare A – endorse	C		
Neighbourhood business case variations		I	R – inform Ministers	R – prepare A – approve (as long as precinct tolerances not exceeded)	C		
Major infrastructure business cases – involve funding from Infrastructure Fund or other Kāinga Ora funding		I	R – inform Ministers	R – prepare A – approve (as long as precinct tolerances not exceeded)		R – prepare A – approve (as long as precinct tolerances not exceeded)	C
Major infrastructure business case variations			C	C		R – prepare A – approve (as per own delegations)	

Appendix P Benefits Management Plans – Oranga and Roskill

Oranga Benefits Realisation



Kainga Ora Outcome	Quality & Affordable Homes	Environmental Wellbeing	Partnering with Māori	Dignity and Independence	Sustainable Communities	System Transformation												
<p><b>Quality &amp; Affordable Homes</b> Good quality, affordable housing choices meet diverse needs.</p> 	<p><b>Increased provision of new healthy, safe, fit for purpose homes to help meet unmet demand for housing, opportunity to contribute to Auckland land development.</b></p> <p><b>Improved mix and type of good quality public, affordable, and market housing to help meet unmet demand for housing.</b></p>	<p><b>Homes in Oranga are resilient to environmental shocks and environmental, cultural, and heritage values are recognised.</b></p>	<p><b>Māori interests and taonga are identified and protected.</b></p>	<p><b>Customers are supported to lead lives with dignity and the greatest degree of independence possible.</b></p> <p>Communities where Kainga Ora has housing stock are assisted to develop and thrive as cohesive and safe places to live.</p>	<p><b>Improved provision of social spaces, quality infrastructure, jobs and amenities that support community needs.</b></p>	<p><b>Effective partnerships and innovation to support integrated housing and urban development.</b></p>												
<p>Improved access to Affordable homes</p> <p>Market homes are Affordable</p> <p>Improved land utilisation and increased provision of build-ready land</p> 	<p>Planned housing portfolio mix achieved</p> <table border="1"> <tr> <td>Actual</td> <td>Target</td> </tr> <tr> <td>0</td> <td>76% Apartment/Walkup</td> </tr> <tr> <td>18</td> <td>24% Terraced/Detached</td> </tr> <tr> <td>0</td> <td>433 Market</td> </tr> <tr> <td>0</td> <td>434 Affordable</td> </tr> <tr> <td>14</td> <td>433 State</td> </tr> </table>	Actual	Target	0	76% Apartment/Walkup	18	24% Terraced/Detached	0	433 Market	0	434 Affordable	14	433 State	<p>Tree Coverage - Urban Ngahere Forest Strategy</p> <p>Target: 4 Ha tree canopy coverage (20%)</p> <p>Reduced waste by construction activities</p> <p>Demolition Waste</p> <p>Targets: 50% Reduction from BAU 85% diversion from landfill</p> <p>Construction Waste</p> <p>Targets: 50% reuse within development area 3% reduction on baseline</p>	<p>Delivery of programme reflects the needs and aspirations of Māori</p> <p>Mana Whenua engagement</p> <p>Target: Māori Outcomes Plan identifies needs, aspirations and engagement strategy with Mana Whenua</p> <p>Support for local Māori social and economic enterprises</p> <p>Māori commercial opportunities identified</p>	<p>Accessibility and mobility features</p> <p>15% Target for all homes</p> <p>105 Actual</p> <p>185 Target</p> <p>Skills training support for the community facilitated</p> <p>Number of school Engagement-Activations: 3</p> <p>Number of Akonga – Work experience: 1</p> <p>Number of Akonga in Training: 1</p> <p>Target: Minimum 3 training activities per annum</p>	<p>Benefits to community through construction</p> <p>Number of Akonga Employed: 8</p> <p>Number of Akonga Ready for Employment: 1</p> <p>Target: Minimum 10 employed/ready for employment per annum</p> <p>New/upgraded social spaces and infrastructure facilities for customers as planned</p> <p>Ferguson Domain</p> <p>Provision of community hall, aquatic, recreation centre, and library assets</p> <p>Transport and connectivity upgrades</p> <p>Targets are being discussed with Auckland Council</p>	<p>Innovative solutions to delivery planned housing for increased pace and scale</p> <p>Pilots undertaken to support Innovation</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>Minimum 1 OSM project</li> <li>Minimum 1 alternative affordable product</li> </ul>
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<p>Indicators &amp; Measures</p> <p>Improved bedroom typology mix</p> 	<p>New and improved infrastructure to allow for future development</p> <ul style="list-style-type: none"> <li>1300 homes enabled in development</li> <li>XX number of homes enabled in wider precinct area</li> </ul>	<p>Heritage and archaeological sites recognised and celebrated</p> <p>Target: All heritage and archaeological sites identified are reported</p> 	<p>Support for local Māori social and economic enterprises</p> <p>Target: 5%-7% of the contract sum spent with targeted organisations in the community</p> <p>Kāinga Ora homes meet universal design standards and CPTED Principals</p> <table border="1"> <tr> <td>Actual</td> <td>Target</td> </tr> <tr> <td>34</td> <td>113</td> </tr> <tr> <td>100</td> <td>1300</td> </tr> </table> <p>Targets:</p> <ul style="list-style-type: none"> <li>All homes constructed meet Full Universal Design (FUD)</li> <li>Masterplan incorporates CPTED</li> <li>Principals in Neighbourhood design</li> </ul>	Actual	Target	34	113	100	1300	<p>Social procurement outcomes: support for local Pasifika social and economic enterprises</p> <p>Target: 5%-7% of the contract sum spent with targeted organisations in the community</p>	<p>Social procurement outcomes: support for local Pasifika social and economic enterprises</p> <p>Target: 5%-7% of the contract sum spent with targeted organisations in the community</p>	<p>Social procurement outcomes: support for local Pasifika social and economic enterprises</p> <p>Target: 5%-7% of the contract sum spent with targeted organisations in the community</p>						
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# Mt Roskill Precinct Benefits Realisation



Kāinga Ora Outcome	Benefits	Indicators & Measures
<p><b>Quality &amp; Affordable Homes</b> Good quality, affordable housing choices meet diverse needs.</p>	<p>Increased provision of new healthy, safe, fit for purpose homes, providing quality homes in the Roskill Development, with a focus on affordable housing to help meet unmet demand.</p> <p>Mt Roskill is a master planned lead precinct, to ensure strategic use of land and well designed urban planning. Improved mix and type of good quality public, affordable, and market housing.</p> <p>Improved access to Affordable homes</p> <p><b>50%</b> Market homes are Affordable</p> <p>Improved land utilisation and increased provision of build-ready land</p> <p>Hectares of land remediated</p> <p>Planned housing portfolio mix achieved</p> <p><b>2,307 Market   2,307 Affordable</b> 1,635 State Target</p>	<p>New and improved infrastructure to allow for future development</p> <ul style="list-style-type: none"> <li>6250 homes enabled in development</li> <li>XX number of homes enabled in wider precinct area</li> </ul> <p>Improved bedroom typology mix</p> <p>Master planned lead Precinct; consultation lead approved Masterplan Target: Any variations to the approved Masterplan are reported</p>
<p><b>Environmental Wellbeing</b> Environmental wellbeing is enhanced and preserved for future generations.</p>	<p>Development responds to the Nga Pou Tikanga from the Precinct SDS Target: 50 – 75% of total projects meet principal outcomes</p> <p>Stream evaluations and ecological assessments</p> <p>Target: An assessment is undertaken for each Mt Roskill Neighbourhood Plan</p> <p>Sustainability Initiatives</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>22 Ha tree canopy coverage (20%)</li> <li>80% reduction in Life Cycle Emissions of Buildings</li> <li>50% reduction on baseline infrastructure embodied emissions</li> <li>90% retention of top soil in areas without contamination issues</li> </ul> <p>New homes built to modern standard</p> <p>Reduced waste by construction activities</p> <p>Demolition Waste Targets: 50% Reduction from BAU, 85% diversion from landfill</p> <p>Construction Waste Targets: 50% reuse within development area, 3% reduction on baseline</p>	<p>Mt Roskill neighbourhood masterplans and homes are constructed to meet sustainability and environmental needs</p> <p>Development responds to the Nga Pou Tikanga from the Precinct SDS Target: 50 – 75% of total projects meet principal outcomes</p> <p>Stream evaluations and ecological assessments</p> <p>Target: An assessment is undertaken for each Mt Roskill Neighbourhood Plan</p> <p>Sustainability Initiatives</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>22 Ha tree canopy coverage (20%)</li> <li>80% reduction in Life Cycle Emissions of Buildings</li> <li>50% reduction on baseline infrastructure embodied emissions</li> <li>90% retention of top soil in areas without contamination issues</li> </ul> <p>New homes built to modern standard</p> <p>Reduced waste by construction activities</p> <p>Demolition Waste Targets: 50% Reduction from BAU, 85% diversion from landfill</p> <p>Construction Waste Targets: 50% reuse within development area, 3% reduction on baseline</p>
<p><b>Partnering with Māori</b> Māori interests are protected and their needs and aspirations are met.</p>	<p>Delivery of programme reflects the needs and aspirations of Māori</p> <p>Mana Whenua engagement</p> <p>Target: Māori Outcomes Plan identifies needs, aspirations and engagement strategy with Mana Whenua</p> <p>Support for local Māori social and economic enterprises</p> <p>Māori commercial opportunities identified</p> <p>Target: 5%-7% of the contract sum spent with targeted organisations in the community</p>	<p>Communities are supported to lead lives with dignity and the greatest degree of independence possible.</p> <p>Communities where Kāinga Ora has housing stock are assisted to develop and thrive as cohesive and safe places to live.</p> <p>Accessibility and mobility features</p> <p><b>15%</b> State homes target</p> <p>Skills training support for the community facilitated</p> <p>Number of school Engagement/Activations</p> <p>Number of Akonga – Work experience</p> <p>Number of Akonga in Training</p> <p>Kāinga Ora homes meet universal design standards and CPTED Principals</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>All homes constructed meet Full Universal Design (FUD)</li> <li>Masterplan incorporates CPTED Principals in Neighbourhood design</li> </ul>
<p><b>Dignity and Independence</b> Customers feel safe in their homes and community.</p>	<p>Benefits to community through construction</p> <ul style="list-style-type: none"> <li>Number of Akonga Employed: 4</li> <li>Number of Akonga ready for Employment: 1</li> </ul> <p>Target: Minimum 10 employed/ready for employment</p> <p>Social procurement outcomes: support for local Pasifika social and economic enterprises</p> <p>Target: 5%-7% of the contract sum spent with targeted organisations in the community</p> <p>Ensure connectivity and easy access to social spaces / amenities by enabling walkability and cycling</p> <p>Target: 50% reduction in vehicle kms travelled</p> <p>New/upgraded social spaces and infrastructure facilities for customers</p> <ul style="list-style-type: none"> <li>Waikowhai: Safety Improvements Dominion Road/Richardson Road, Local Transport Upgrades</li> <li>Waiwaka: Town Centre Street Upgrade, Local Transport Upgrades</li> <li>Waiwaka: Greenways Programme, Safety Improvements Heron Avenue, Collector Road Upgrade and Hendon/Richardson Road</li> <li>Waiwaka/West: TBC</li> </ul> <p>Targets are being discussed with Auckland Council</p>	<p>Improved provision of social spaces, quality infrastructure and amenities that support community needs.</p> <p>Effective partnerships and innovation to support integrated housing and urban development.</p> <p>Innovative solutions to delivery planned housing for increased pace and scale</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>Minimum 2 DSM projects</li> <li>Minimum 2 alternative affordable products</li> </ul> <p>Partnerships and collaboration are initiated and facilitated with local schools as identified in the masterplan</p> <p>Targets are being discussed with MoE</p>
<p><b>Sustainable Communities</b> Sustainable, inclusive and thriving communities support good access to jobs, amenities and services.</p>	<p>System transformation is catalysed and delivered.</p>	<p>System transformation is catalysed and delivered.</p>