

LARGE SCALE PROJECTS

# Tāmaki Precinct



## PROGRAMME BUSINESS CASE

Prepared for:  
Kāinga Ora  
Board and Cabinet

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## Glossary

Affordable housing	Non-market housing typologies, including KiwiBuild, progressive 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 Tāmaki Large Scale Project (LSP). Tāmaki is one of six LSPs that are 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 is well underway. Recent technical assessment however have uncovered significant additional water, transport infrastructure and land development costs constraining progress on the LSPs which are beyond the ability of Kāinga Ora or the Councils to pay. Without further funding, the LSPs will stall or need to be significantly rescoped beyond June 2021. In response, in April 2021 Cabinet agreed 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. In the case of Tāmaki this means three of the Tāmaki LSP neighbourhoods are within the scope of this business case and four are not. The in-scope neighbourhoods are Point England, Panmure North and Glen Innes Northwest. They will have investment over 2021/22 to 2037/38.

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 sit under them to inform decisions at a neighbourhood level. The starting point for the four programme 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 Tāmaki LSP is 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

## Tāmaki Regeneration Programme

### Our Vision: Tāmaki is an awesome place to live.

The Tāmaki Regeneration Programme is a once in a generation opportunity to regenerate three entire suburbs where poor mid-20th century urban and infrastructure design combined with high concentrations of aged cold and damp public housing stock have suppressed social outcomes and community wellbeing.

Tāmaki is a young, vibrant and connected community. However, there are large numbers of whānau struggling to get by or living in crisis. For some of these whānau, the strong community networks that exist in Tāmaki help their resilience, but they still struggle to thrive.

There are currently 5,000 households within Tāmaki. Across the coming years the community make up will change significantly as 2,800 public homes are removed to make way for 10,500 new public, affordable and private homes. In addition to this, the private sector is forecast to build another 4,000 houses within the Tāmaki boundary.

The Tāmaki LSP covers a 150 hectare area. It is made up of seven neighbourhoods, three of which are within the scope of the investment sought in this business case.

Regeneration is about more than just building houses and the Tāmaki Regeneration Company (TRC) has been mandated by its shareholders, New Zealand Government and Auckland Council, to lead on urban regeneration activity in Tāmaki to achieve four equally important objectives - social transformation, economic development, placemaking and housing resources. A regeneration approach is a deliberate decision to create a physical, economic, and social system to ensure all of Tāmaki's population can thrive.

TRC's aim is that everything they and their partners do should contribute to one of the Tāmaki Outcomes developed in partnership with the Tāmaki Community Crown Agencies, and Auckland Council:

- Tāmaki whānau have good lives: live in quality homes, are economically independent, have good health and wellbeing, are connected in their community
- Tāmaki is a vibrant neighbourhood with quality housing
- Social service investments are systematic, evidence based and return on investment is effectively managed

The housing redevelopment presents a unique regeneration opportunity to achieve positive social and economic outcomes for Tāmaki residents. The creation of new communities of mixed tenure housing, featuring the best of local and international urban, neighbourhood and housing design, will create a platform to transform the lives of the existing residents for now and generations to come.

The project delivers new warm, dry, fit for purpose homes, replaces existing stock and increases total numbers to help meet New Zealand's public housing shortage. The project also delivers much needed affordable and market housing with a focus on the existing Tāmaki community and will also contribute to Auckland's desperately under-supplied residential market, while at the same time repairing the design mistakes of the past.

### We are working in partnership

Kāinga Ora and TRC are working in partnership, doing the mahi in Tāmaki together. We have 16 active projects underway. To date 882 new homes have been constructed in Tāmaki; 753 homes are either in the civil works stage or currently under construction; and 683 homes are at various stages in the design and planning process (to end September 2021). Wide-scale neighbourhood masterplanning and infrastructure planning is also well advanced.

Kāinga Ora's Urban Development and Delivery Team is the Master Developer who is responsible for Neighbourhood Planning, infrastructure delivery, superlot creation, contracting builders/developer to build the homes and selling the land. TRC is responsible for leading the urban regeneration activities, masterplanning, community engagement, iwi

engagement, tenant rehousing, providing the public housing demand and specifications, place-based marketing and managing the public housing stock.

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.

The TRC mandated approach to regeneration and 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.

### **The project needs significant investment**

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 Tāmaki's city fringe location.

The planned density and growth, which is in line with the Auckland Unitary Plan, will create thriving, liveable neighbourhoods, which enable the community to connect with the past and present and prepare for the future.

While the total investment required is large, a significant proportion of the expenditure is required in the medium-term regardless, both for housing and for infrastructure – including to address legacy issues. An integrated project ensures the effort and cost are targeted and delivered efficiently.

Not only will this project deliver immediate housing and community improvements, but wider whole of Government wellbeing benefits that multiply beyond the headline cost to deliver multi-billion dollar returns to Auckland and New Zealand.

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 stormwater erosion protection initiatives and detention devices proposed within existing Boundary and Johnson's Reserves will reduce sediment discharge from their contributing catchments by 75%. Since Tamaki has limited soakage availability, this will also look to solve existing legacy infrastructure issues in the next five years and reduce silt discharges to harbour. Stormwater modelling undertaken has factored for climate change, which has resulted in new houses being built above flood levels. This will solve existing legacy infrastructure issues and improve resilience to climate change. Wastewater network upgrades such as the Glen Innes North West Diversion to Eastern Interceptor will reduce existing overflows of sewage into the harbour

### **The Business Case**

This Precinct Business Case seeks investment in the Tāmaki Large Scale Project (LSP), which is part of a portfolio of LSPs led by Kāinga Ora. This Business Case serves to update the 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 Tāmaki catchments.
4. The work TRC do with the Tāmaki community.

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.

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 and public 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 Tāmaki LSP 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 Housing Acceleration Fund (HAF). This business case builds on the previous decisions and considers the optimal approach to delivering the intended outcomes 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 Te Tuāpapa Kura Kāinga 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 Tāmaki LSP should proceed at its current pace and deliver land that will enable:
  - The same density as was envisaged in the 2020 Development Plan.
  - Approximately 33% public homes, 33% affordable homes, and 33% market homes.
  - Delivery of the in-scope development completed by 2039 as currently scheduled.
- 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 preferred option is \$1,221 million over the 18-year timeframe, with an economic shortfall of \$535 million. This is \$29 million lower than the net cost estimated in the HAF 5-year view due to:
  - Market/affordable 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. Reimbursements from TRC has decreased slightly due to a decrease in contingency from the Qualitative Risk Assessment.
  - Land development costs have increased. This is due to an increase in the civils and infrastructure rate based on the observed rates from neighbourhoods which are currently in progress.
  - Other precinct costs have increased. This is primarily because UDD overheads were not included in the HAF 5-year view.
  - Contingency has decreased. 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 (Framework) 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 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

Scope		
HAF 5-year view end date		30/06/2039
Number of neighbourhoods		5
Land Remediation		
Dwellings removed		1,257
Area of land enabled for housing		768,456m <sup>2</sup>
Area decontaminated and remediated		960,570m <sup>2</sup>
Homes Enabled		
State houses		1,549
Market houses		1,574
Affordable houses		1,518
Total houses		4,640
Uplift in state homes		292
Cost per home		
Total cost per home enabled excl. CCO		\$260,000
Net cost to Crown per home enabled excl. CCO		\$120,000
Precinct Infrastructure		
Asset Type	Number of Projects	Value (\$M)
Parks & community	5	\$16M
Stormwater	8	\$17M
Transport	9	\$61M
Utilities	2	\$0
Wastewater	3	\$10M
Water supply	5	\$21M
Process	0	\$0
Total	32	\$125M

In addition to the 32 precinct infrastructure projects listed above, the investment will also enable many neighbourhood level projects.

**Summary of Net Costs for the Tāmaki LSP**

Cash Flows (\$M)	Pre-FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	Total	
Total Revenue	\$9(2)(1)																			685	
Total Costs																					(1,221)
Net Costs (excl. CCO contribution)																					(535)

# 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.

Large Scale Projects (LSPs) aim to address the housing shortage by unlocking the land required to increase the volume and quality of housing stock in locations of with critical housing needs, including the Tāmaki precinct. This strategic case presents a compelling case for change to assess and agree the best way to optimise social, cultural and environmental benefits within the Tāmaki precinct.

The case for change will be presented through 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, Tāmaki Regeneration Company 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 Tāmaki precinct. 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 Tāmaki precinct; 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> <ul style="list-style-type: none"><li>— <b>Up-zoning:</b> ensuring that plans make room for growth both 'up' and 'out', and that rules are not unnecessarily restrictive or constraining growth;</li></ul>

- 
- **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.
- 

## 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: 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 the 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 the 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) under 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.

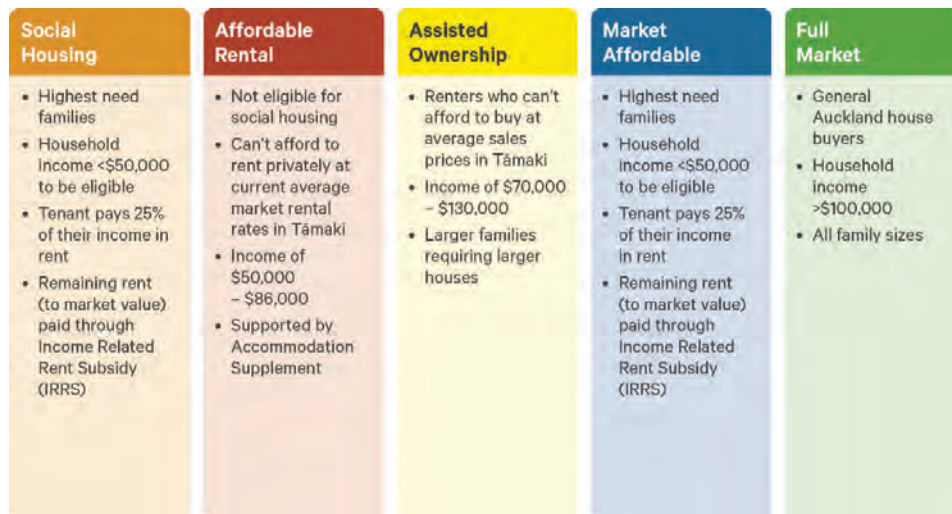
### 1.2.2 Tāmaki Regeneration Company (TRC)

TRC is mandated by its shareholders, Crown (59%) and Auckland Council (41%), to lead urban regeneration activity in Tāmaki, including Housing Resources as outlined in its Constitution. TRC is a Schedule 4A company under the Public Finance Act.

TRC's vision that is Tāmaki is an awesome place to live. To turn this vision into reality, TRC's strategic purpose is as follows:

- To become an exemplar in Tāmaki for the regeneration of social, economic, and environmental benefit of the Tāmaki communities and other communities.
- That the Tāmaki Housing Association become a recognised leader in the management and betterment of mixed tenure communities, first in Tāmaki and then New Zealand.
- To effectively transfer knowledge, experience and expertise to other communities and organisations.
- To design cohesive communities and place making outcomes, and to hold our partners accountable for the delivery of housing in Tāmaki.
- To use global best practice insights to inform the strategic deliverables and measurements of outcomes, fiscal and social.

To realise this, TRC aims to provide housing along the full housing continuum to meet the needs of the families in Tāmaki. Details of the housing continuum are set out below.



**Figure 1 TRC Housing Continuum.**

### 1.2.3 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 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.

#### 1.2.4 Māori and Pasifika

The Kainga 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.

TRC carries out significant engagement across Tāmaki, starting with mana whenua. Through TRC relationships with specific iwi, mana whenua significantly contribute to TRC initiatives, including input into the regeneration programme.

TRC continuously pursue opportunities for partnerships with Maori entities and businesses, and has both a Māori and Pasifika Leadership programme across the whole organisation, to build cultural confidence, leaning into hard conversations around privilege and Te Tiriti o Waitangi.

In respect of engagement with mana whenua, TRC has:

- Partnered with mana whenua to develop and deliver housing solutions for their people and explore other potential commercial partnering opportunities;
- Prioritised mana whenua for TRC's shared equity programme, as per direction received when ministerial approval for the programme was received;
- Engaged with the 19 iwi authorities within the wider Tāmaki Makaurau boundaries (settled and yet to settle) so that they are kept up to date on public plans and are aware of any opportunities to formally participate in any RMA/MACA process;
- Regard to the customary interests of iwi in land during processes involving sale or disposal, including giving iwi with strong customary interest the best opportunity to participate in that process; and

- Actively protected and promoted Māori knowledge, interests, values, and other taonga through the design process, ensuring that Tāmaki celebrates its unique composition and history through its physical design and the development of new amenities and services.

While upholding the role of mana whenua within Tāmaki, TRC also engages with the wider Māori community including Ruapōtaka Marae.

TRC is working with mana whenua to develop a partnership measure that reflects the intended approach and outcomes described above.

TRC concentrate their investment in the programme’s areas that support the wellbeing of Tangata Whenua and Tangata Tiriti and improve equity outcomes for Māori and Pacifica whānau in Tāmaki. This is conducted through a focus on working with partners to improve the system and conditions to ensure that these designs are delivered with an equity lens. An example of a regenerative function is TRC’s Jobs and Skills programme. Through the Tāmaki Jobs and Skills Hub, 800 Tāmaki locals have been supported into employment over the last five years, with a high proportion being young Māori or Pacific people. This Hub has notable success in working with vulnerable whānau, including those experiencing housing insecurity, equipping them with the skills and confidence to enter the workforce.

#### 1.2.4.1 Community engagement

In respect of engagement with the diverse communities of Tāmaki, TRC supports and hosts monthly to bi-monthly the Community Liaison Committee, which is populated by representatives from across Tāmaki with different interests i.e. education, Māori community, private residents and the business sector. Different community groups are engaged with kanohi ki te kanohi, digitally or informed regarding development plans, updates and progress across Tāmaki, with feedback provided back to Kāinga Ora through the Regeneration & Placemaking team.

TRC worked with residents from across Tāmaki to create the Community Outcomes Framework, and committed that they will have a voice in the design processes, as well as being able to stay within Tāmaki if they wish to.

### 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 and public 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 being retained by Kāinga Ora to develop public housing; and
- Parcels of land which will then be marketed and sold in superlots to developers to deliver homes. Superlots will typically have encumbrances to ensure the LSP objectives are met.

This whole-of-community approach will address environmental issues by engaging whole communities, 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 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, resulted 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 costings (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 with 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 the Government’s priorities for urban development in Auckland, this business case now assesses the optimal approach to developing the Tāmaki Precinct. The scope for this assessment is set out below.

### 1.4.1 Collaboration with TRC

TRC is responsible for the overall regeneration programme, including ensuring that the social licence (i.e. the ongoing approval within the local community) for regeneration is maintained. TRC will also retain management of the public housing, and will be responsible for the overall precinct Masterplan, rehousing, placemaking, mana whenua and community engagement.

Kāinga Ora is contracted by TRC to be the Master Developer for Tāmaki and is responsible for the delivery and completion of the balance of the Catalyst Projects (discussed below) and the delivery of the wider Tāmaki development programme.

### 1.4.2 Number of neighbourhoods and projects 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 will be considered within this business case.

For the purposes of Tāmaki LSP, the precinct is divided into seven neighbourhoods, with this precinct business case seeking funding for three of the neighbourhoods: Glen Innes Northwest, Point England, and Panmure North.

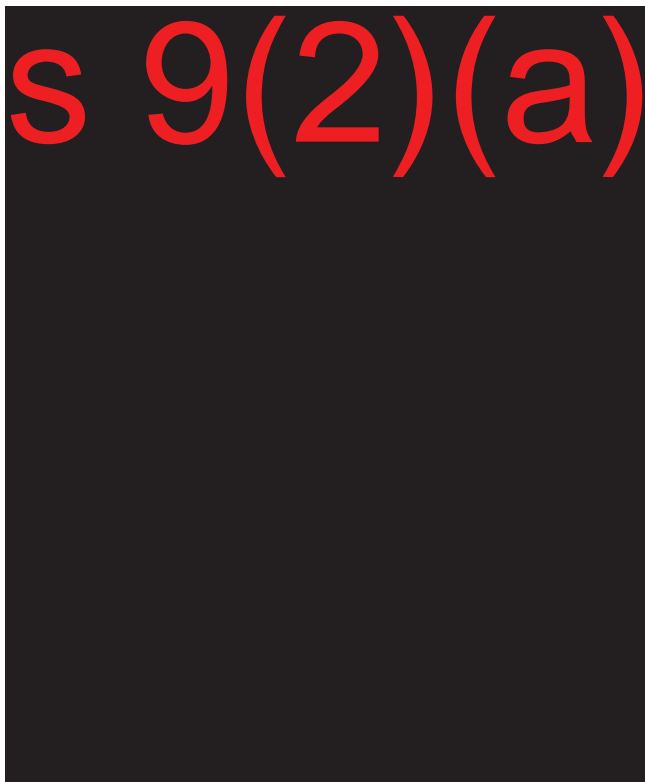


Figure 2 The Tāmaki precinct neighbourhood boundaries.

Tāmaki also has the Concord and Catalyst projects included in the scope of this business case, which are located within the neighbourhood areas but are distinct projects. The Catalyst projects are a number of existing projects that were initiated by TRC where the land is already largely or fully serviced, and homes have been built. The Concord project is in discussion between TRC and Mana Whenua to deliver papakāinga housing (a housing development for Māori people on their ancestral land), or similar.

#### 1.4.3 Timeframe and activities of the investment

This business case seeks funding for the in-scope neighbourhoods 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 in three neighbourhoods 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.

#### 1.4.4 Options considered

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 early 2021 (see Appendix B for further details).

#### 1.4.5 Specific neighbourhood and infrastructure decisions

Specific activities and value for money considerations at a neighbourhood level are outside the scope of this precinct business case. However, additional project business cases will 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.

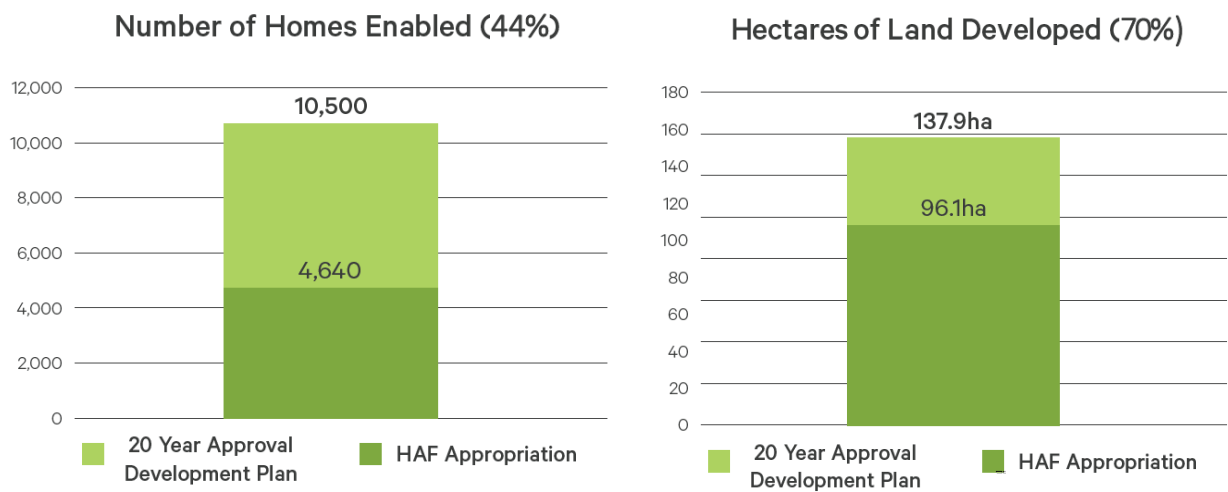
### 1.4.6 Wider programme considerations

The Tāmaki LSP is a 20-year programme with this investment supporting the early stages. 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
- 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 may be in the form of further Cabinet approvals.

While the scope of this business case is limited to three neighbourhoods over a limited time period, the benefits arising from it are significant for the Tāmaki LSP. 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 Tāmaki LSP.



**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 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 Tāmaki precinct. This part will then set out the opportunities created 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 Tāmaki precinct.

#### 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.

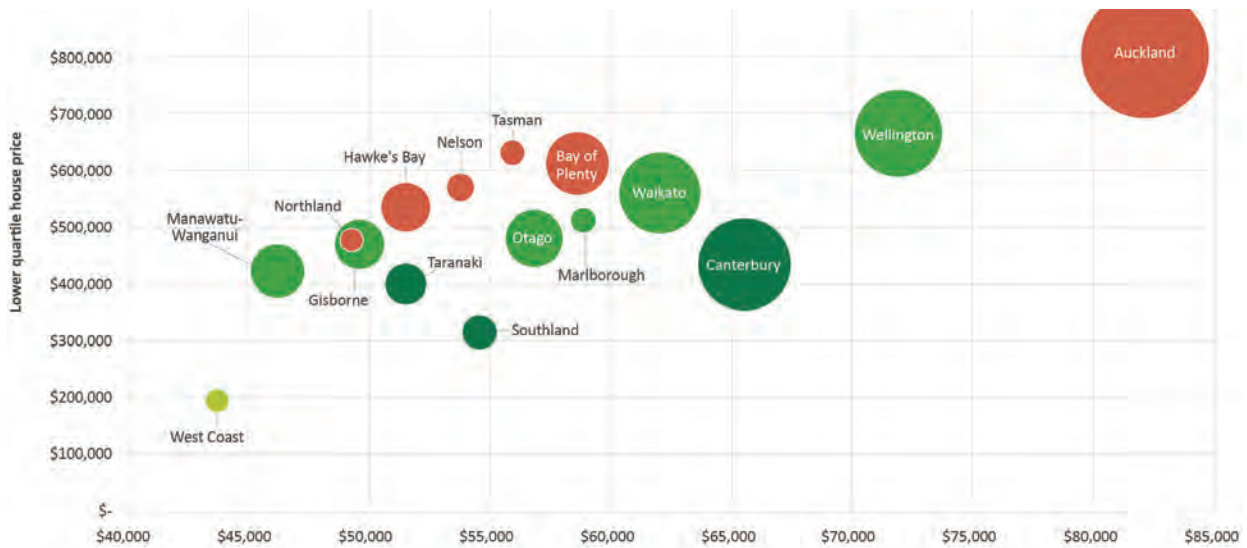
The shortage in housing supply has contributed to increasing house prices, with median house prices rising five-fold over the last 20 years (see Figure 4).



**Figure 4 Median House Sale Price Auckland (12).**

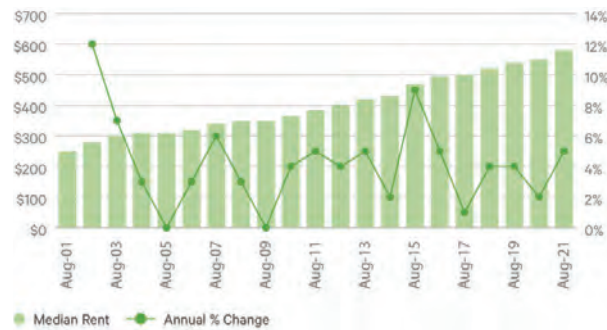
The increase in house prices has outstripped the increases in wages over the past five years, with the median house sales price across Auckland being approximately 11.25 times the median household income in September 2021 (up from 8.76 in September 2019) (7).

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).



**Figure 6 Median Rent Price Auckland (30).**

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.

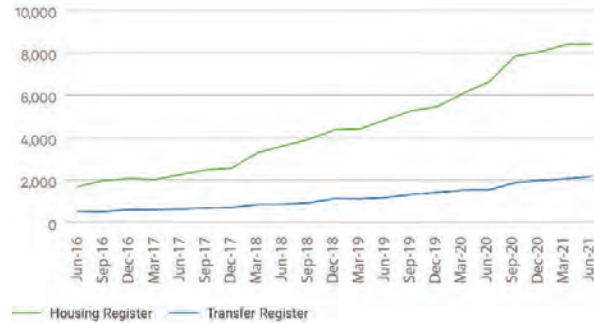
As a result, this cohort may always find it difficult to provide upfront capital or service a mortgage without significant changes in employment and/or housing markets.

**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 (8) (9). 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 5 years.



**Figure 7 Auckland Housing and Transfer Registers over the last 5 years (9).**

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.

**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 (10). 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. 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 “up-zoned” 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

### 1.6.1 Tāmaki Precinct Overview

Tāmaki is located approximately 12 kilometres from Auckland CBD, consisting of the suburbs of Glen Innes, Point England and Panmure. Currently, there are approximately 18,000 residents in the area, with 60% of Tāmaki residents being of Māori or Pasifika descent (30% being under the age of 15 and 60% living in public housing). A summary of the approvals and development progress to date is set out in Appendix B.



Figure 8 Location of the Tāmaki precinct.

### 1.6.2 Challenges in Tāmaki

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

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

Tāmaki is home to a large number of low-income earners, with Point England having a primary socioeconomic deprivation rating of 10 (the highest level of deprivation possible) and Glen Innes and Panmure ranging in socioeconomic status with a large number of areas sitting between 7 to 10 on the deprivation scale (11). 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.

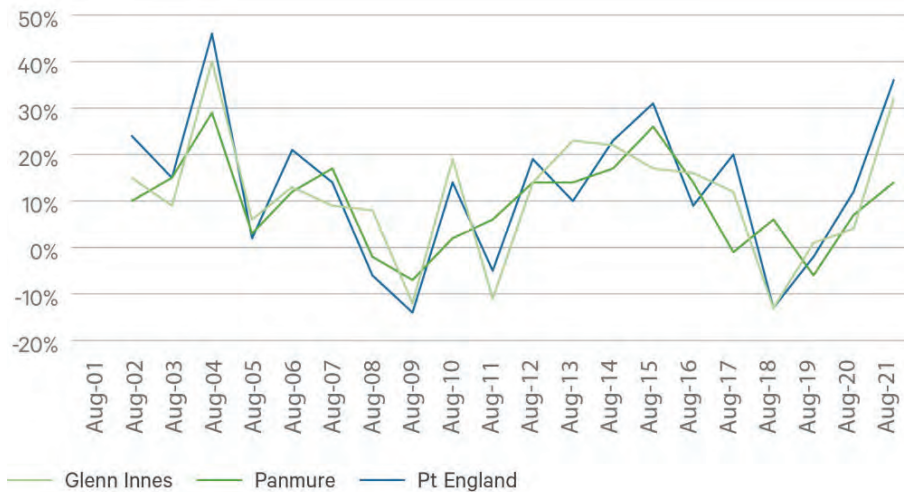
All of these issues conflict with the direction set by Government through the GPS-HUD, NPS-UD, Living Standards Framework and other policies to uplift the overall wellbeing of residents through a focus on housing that creates sustainable, inclusive, and thriving communities. Similarly, the current state of housing does not align with TRC's Strategic Framework and Affordable Housing Strategy to provide quality housing along the full housing continuum to meet the needs of the families in Tāmaki.

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 likely rests on the public sector to intervene through large-scale initiatives with significant financial backing that coordinates agencies, stakeholders, and asset owners.

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

#### ***Inability to afford good quality housing***

Like Auckland, house prices for the Tāmaki Precinct have continued to rise over the last 20 years, with severe increases recorded in Glen Innes and Point England the 12 months preceding August 2021 (32% and 36% respectively).



**Figure 9 Tāmaki Change in Sale Price (12).**

While the median sale price in Panmure was lower than the wider Auckland Region in August 2021 (\$960,000 in Tāmaki and \$1,080,00 in the Auckland Region), this is also the area with the most socioeconomic deprivation. Despite the comparatively lower house prices, home ownership remains out of reach for many.

The hardship faced by Tāmaki residents prevent individuals and communities thriving and, in some cases, reinforces disadvantages and stops people achieving their aspirations. Of the approximately 5,000 households within Tāmaki, TRC identifies that 300 are in crisis, 3,100 are struggling to get by and only 1,500 are thriving.

### ***Higher levels of physical hazards***

The majority of public homes in Tāmaki were built before 1986 and require replacement, renewal or major investment to improve their warmth and dryness to meet modern standards<sup>1</sup>. Similarly, many of TRC's assets are nearing the end of their economic life meaning TRC face cost pressure over and above their existing maintenance requirements, in order to meet current expectations and obligations.

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 Tāmaki 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 stress***

Typology and configuration of houses is not well matched to tenant's needs, with 58% of current housing being in the wrong place or of the wrong typology (13). This can result in overcrowding and put 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 Tāmaki) are more likely to be a victim of crime (14). 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 HNZ) 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.

These studies identified the following infrastructure constraints in the Tāmaki precinct, which impede future housing growth (15):

- Stormwater networks, there are extensive areas in Tāmaki without any stormwater pipe network and limited availability of soakage.

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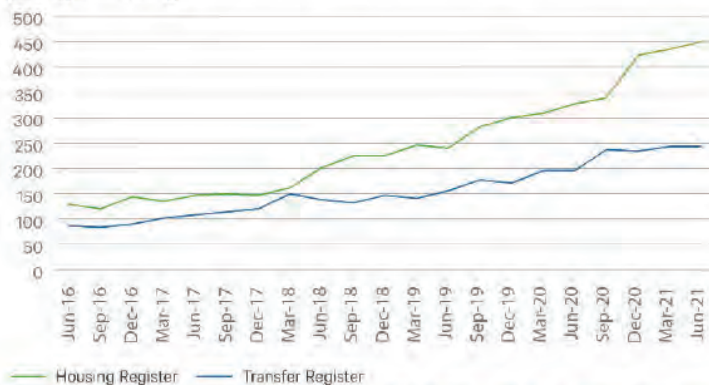
<sup>1</sup> Mandatory dwelling thermal performance (insulation) criteria came into force in April 1978, however anecdotally the practical enforcement appears to have not been consistently applied until the mid-1980s.

- Water supply infrastructure is at capacity. The northern portion of Tāmaki is most constrained.
- Wastewater infrastructure presently also provides a significant constraint on Tāmaki meaning new pump stations are required to service wastewater needs and remove wastewater overflows to receiving environments.
- Transportation infrastructure upgrades will be required to enable development intensification in order to ensure customers are well connected to jobs, services and amenities. Currently residential streets do not provide appropriate vehicle speeds, lack of cycling facilities and frequent bus services and existing congestion on the key arterial routes will be exacerbated by the proposed intensification.

### 1.6.2.3 There is critical demand for public housing

The precinct is home to approximately 10,000 TRC tenants and their families, occupying a total of 2,800 TRC homes.

The lower socioeconomic environment in Tāmaki, together with constraints limiting new housing supply, has resulted in demand for public housing in the Tāmaki 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 249% since 2016, with 450 applicants now requiring new public housing. Similarly, the waitlist for the Transfer Register (being existing public housing tenants that require rehousing) has increased by 179% since June 2016, with 243 applications now requiring rehousing.



**Figure 10 Tāmaki Housing and Transfer Registers over the last 5 years (9).**

While the percentage 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. 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 Tāmaki Waitlist (9).**

Waitlist	Auckland region	Tāmaki precinct
Housing Waitlist (June 2021)	8,385	450
Housing Waitlist change since June 2016 (5 Years)	396%	249%
Transfer Register (June 2021)	2,169	243
Transfer Register change since June 2016 (5 Years)	311%	179%

## 1.7 Problem statements

Informed by the Auckland-wide issues identified in section 1.5 and the Tāmaki-specific challenges in section 1.6, the following four problem statements have been identified:

- 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 public housing stock does not comply with Healthy Homes Standards or typology requirements for Tāmaki, which does not support the provision of appropriate and safe housing for the occupants.
- Tāmaki is a community with diverse needs across all areas of wellbeing. It has high deprivation and is home to a large number of low-income earners. This means it requires solutions tailored to the 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 1.10.2).

## 1.8 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 0. The strategies and policies outlined in section 1.1 are also considered to ensure the strategic alignment of the proposed investment in the Tāmaki Precinct.

**Table 2 Opportunities presented by LSPs to address housing issues**

Problem	Opportunity	Alignment to strategies and policies
Housing demand is increasing faster than housing supply, causing homes to become increasingly unaffordable and substantially increasing the public housing waitlist.	<p>TRC land available in Tāmaki includes a regeneration area of 153 hectares, where an existing 2,800 public homes are located<sup>2</sup>.</p> <p>In a region where greenfield land is scarce, the existing land stocks present a significant opportunity to intensify the dwellings to support a greater number of houses that better meets demand, including for public 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 Tāmaki, 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>
Ageing horizontal infrastructure will have high upcoming maintenance costs, is insufficient for	<p>The current condition of horizontal in Tāmaki is ageing and in need of significant continued investment needed to support 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</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</li> </ul>

<sup>2</sup> The number of public homes prior to development. As development has started, this number will have changed as removals have occurred for land development to begin.

<p>growth, and is not optimising environmental outcomes.</p>	<p>foundations for thriving communities, today in the future. Alongside the increase in quality of horizontal infrastructure, the use of modern materials and design will reduce the ongoing maintenance costs compared to the existing infrastructure.</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 Tāmaki, masterplanning to maximise the accessibility to public transport and cycleways (two specific issues identified with the existing infrastructure) will promote alternative forms of transport which have a lower carbon footprint compared with conventional road usage.</p>	<p>of Aotearoa New Zealand</p>
<p>The majority of the existing stock does not comply with Healthy Homes Standards or typology requirements for Tāmaki, which does not support provision of appropriate and safe public housing. .</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 Tāmaki, this creates opportunities to ease pressures on public housing by:</p> <ul style="list-style-type: none"> <li>— prioritising public and affordable housing to cater for low socioeconomic environments and enable homeownership not otherwise available; and</li> <li>— setting the framework for the typology of new housing to reflect the specific needs of the community, for example by optimising the size and number of rooms in dwellings to adequately accommodate the most residents.</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 (such as respiratory illness or psychosocial issues caused by overcrowding).</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>Tāmaki is a community with diverse needs across all areas of wellbeing. It has high deprivation and is home to a large number of low-income earners. This means it requires solutions tailored to the community's needs.</p>	<p>Through TRC's holistic approach to regeneration and Kāinga Ora's whole-community approach, 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>Moreover, the intensification of existing dwelling attracts commercial businesses and investments, therefore enhancing the economic growth of the precinct as well as employment.</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> </ul>

This creates more demand for business and local amenities, in turn leading to economies of scale and scope in the region.

All these add to social and economic benefits including social cohesion, interaction, reduced crime, recreation, health and well-being and land value benefits, which will also deliver benefits to private developers in the area, who will then be developing in an already well-functioning community with access to other amenities that improve overall land value.

## 1.9 Other opportunities

In addition the opportunities specifically addressing the existing problems within the Auckland region and Tāmaki precinct, there are 3 wider opportunities presented by the LSP programme. These are discussed in table 5 below.

**Table 3 Other opportunities presented by LSPs**

Opportunity	Discussion	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 TRC, Kāinga Ora, local councils, asset owners and other 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 Tāmaki precinct 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 Tāmaki LSP 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 TRC and 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 Tāmaki precinct provides 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.</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

## 1.10 Investment objectives, community needs and benefits

### 1.10.1 Introduction

Investment objectives define the desired outcomes of a LSP investment in the Tāmaki Precinct. The investment objectives are based off the existing arrangements and problems identified in sections 0 to 0, and informed by the opportunities identified in section 1.8 and 1.9.

Investment benefits represent the tangible benefits that the programme will deliver if it meets the investment objectives.

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

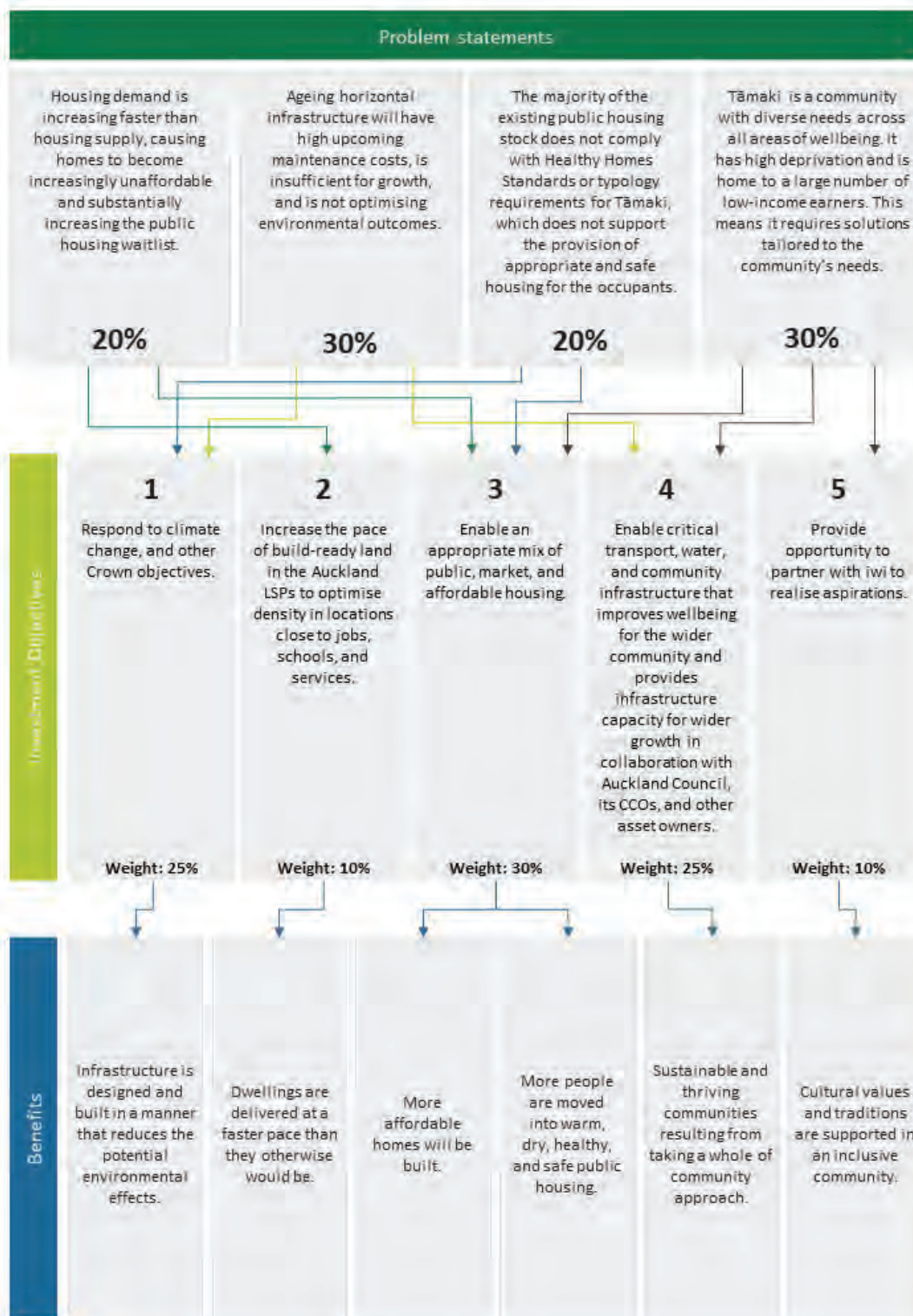


Figure 11 The Tāmaki precinct problem statements linked to the investment objectives and benefits.

### 1.10.2 Investment objectives

An investment logic map was developed, and the investment objectives have been workshopped and agreed by HUD, Treasury and Kāinga Ora as the following:

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.

Kāinga Ora and TRC then mapped the Kāinga Ora benefits against those tracked by TRC through their Outcomes Framework to ensure a cohesive approach.

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

**Table 4 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 TRC, 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 Tāmaki are subject to environmental risks and hazards associated with climate change and do not provide appropriate low-emission forms of transport, such as cycling facilities and frequent bus services. 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 Tāmaki 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>
Community 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 landscape 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 Tāmaki 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 Tāmaki. This creates a barrier to intensification and new housing supply on existing land.

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

**Community Needs** To provide the tools and backing to enable Kāinga Ora and its partners to move to 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 Tāmaki, together with constraints limiting new housing supply, have resulted in demand for public housing in the Tāmaki precinct growing significantly. Without intervention to create more public and affordable homes, the housing waitlist (and number of displaced residents) will continue to grow.

**Community 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 Tāmaki, 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.

**Community 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>
Community 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 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>

**1.10.3 Benefits**

Investment benefits represent the tangible benefits that the programme will deliver if it meets the investment objectives. Informed by the opportunities in section 1.8, 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.

It is important to note that there are two investment vehicles for Tāmaki due to the presence of TRC. It is therefore important that the benefits identified for the development outlined in this precinct business case are achieved by Kāinga Ora to enable TRC to achieve their regeneration benefits. Kāinga Ora and TRC mapped the Kāinga Ora generic benefits against those tracked by TRC through their Outcomes Framework. Further details can be found in Appendix D.

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

**Table 5 The benefits and the measures for the scope of work outlined in this precinct business case.**

Benefit	Description	Measures
<p>More people are moved into warm, dry, healthy, and safe public housing.</p>	<p>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.</p>	<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>
<p>More affordable homes will be built.</p>	<p>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.</p>	<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>
<p>Sustainable and thriving communities resulting from taking a whole of community approach.</p>	<p>Better access to jobs, amenities, and services are achieved through a coordinated, precinct-level approach to urban development and transport planning.</p> <p>More community amenities, such as recreational spaces, can be provided in a precinct when there is a larger population due to higher density housing.</p>	<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>
<p>Cultural values and traditions are supported in an inclusive community.</p>	<p>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.</p>	<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>
<p>Infrastructure is designed and built in a manner that reduces the potential environmental effects.</p>	<p>Homes and community infrastructure are environmentally efficient and sustainable, resilient to environmental shocks, and empower tenants to live in an environmentally sustainable way.</p>	<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> </ul>

		<ul style="list-style-type: none"> <li>— Bio diversity</li> <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>

### 1.11 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 Tāmaki precinct are shown in Table 6.

**Table 6 The top risks identified for the Tāmaki precinct.**

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 Kainga 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
Local Authorities consents processing delays	Stakeholders, local authorities and utility providers have their own objectives which do not align with that of Kāinga Ora	
	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 agreement to articulate their respective roles and responsibilities within the LSP delivery environment	No clear delineation of roles and responsibilities between Te Tupapa 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	Reputational damage and delays due to inefficient decision-making processes
KiwiBuild policies restrict LSP land revenue potential	Current policies do not allow Kainga 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 Kainga 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.

## 1.12 Assumptions, Constraints, and Dependencies

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

### 1.12.1 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 7 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 Tāmaki precinct 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>

### 1.12.2 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 8 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.
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.

### 1.12.3 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 9 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 2038/39. 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>

	In the Tāmaki LSP, the dependency is with TRC to fund the public and affordable home construction. Kāinga Ora relies on this funding to be able to contract house construction on behalf of TRC, and to deliver benefits from land development. This funding currently comes from HUD but TRC also has the ability to access other funding sources.
Relocation of tenants to enable development	<p>For removal of existing dwellings to occur, 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.</p> <p>TRC has made a commitment to the existing residents of Tāmaki, which they have termed the Tāmaki Commitment: those who wish to stay in Tāmaki will have the opportunity to do so. TRC always adhere to this commitment throughout the rehousing process.</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.

#### 1.12.4 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.

##### 1.12.4.1 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 in Roskill, Tāmaki, and Mangere which are within scope of the PBCs due to the current zoning of the neighbourhoods.

The potential increases in plan enabled capacity within Tāmaki are modest. This is largely driven by the already extensive application of the Terrace Housing & Apartment Building Zone (THAB) within the precinct. The neighbourhood projected to have the greatest level of growth is Point England at approximately 600% (592 vs 3526). Higher levels of plan enabled growth in raw numbers are also projected for Glen Innes Northwest and the Employment Precinct. This is largely driven off the assumptions around the uptake of Mixed-Use zoned land as a predominantly intensive residential zone.

The MDRS provisions are likely to have a minimal impact across the Tāmaki Precinct resulted in a theoretical yield increase of 1,500 dwellings over and above the existing AUP provisions as it is already characterised by extensive areas of THAB and Mixed Housing Urban Zone (MHU) land. In addition, the precinct’s proximity to the Rapid Transit Network means that the proposed NPS-UD provisions will already require large amount of further upzoning.

It is estimated that the MDRS provisions could enable approximately 490 dwellings (inclusive of existing dwellings that may be replaced) to be constructed across TRC’s existing landholdings.

#### 1.12.4.2 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 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

### 2.1 Critical Success Factors (CSFs)

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

**Table 10 Critical Success Factors.**

CSF	Description
Strategic fit and business needs	<p>How well the option:</p> <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	<p>How well the option:</p> <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	<p>How well the option:</p> <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	<p>How well the option:</p> <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	<p>How well the option:</p> <ul style="list-style-type: none"> <li>— is likely to be within Kāinga Ora, TRC, 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 delay 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 May 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 public housing in each precinct area
- The suitability of existing public 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 masterplanned 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 public, 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 Glen Innes Northwest, Point England, and Panmure North neighbourhood as the density and tenure mix of the Concord and Catalyst projects 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. Refer to the Strategic Case for more information on the neighbourhoods in scope for this business case.

### 2.2.1 Development Plan

The Development Plan for the Tāmaki precinct was generated in 2020 by Kāinga Ora, in consultation with TRC, 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 Tāmaki Development Plan proposes to deliver approximately 10,500 new homes in the precinct over 25 years. The planned tenure mix for the neighbourhoods within the scope of this business case is 33% public, 33% affordable and 33% market, with the TRC takeout sitting as 52% of the total density (3,500 public homes and 2,000 of the 3,500 affordable homes).

The January 2018 Tāmaki Business Case, prepared by TRC, recommended development of 7,500 new homes. This was updated to 10,500 homes in the Tāmaki Precinct Masterplan and the 2019 Tāmaki Programme Business Case, equivalent to 3.75 times uplift in density. The 2019 business case recommended a delivery envelope of between 10,000 and 13,000 homes to enable an uplift in density as the project evolves.

Higher growth scenarios were assessed as part of the 2020 Development Plan, up to and beyond the capacity catered for under the Auckland Unitary Plan, with rezoning required to achieve this uplift. The high growth scenario considered the delivery of 14,000 new homes. There was found to be a limited difference in the cost of infrastructure to support 14,000 homes vs. 10,500 homes.

The Development Plan landed on 10,500 homes as the preferred density. Kāinga Ora and TRC, in their annual review of the programme will monitor demand for public homes with MSD. The parties will also take opportunities, where available, to increase density, subject to stakeholder and community buy-in, planning approvals, market attractiveness and financial returns.

The Auckland LSP Development Plans put high importance on the pace of delivery. Kāinga Ora have robustly investigated if the pace could be increased, including whether there were other assumptions/constraints that could be relaxed to allow pace to be increased, and have not been able to increase the pace of the schedule. Delivery to date shows examples of the difficulty in increasing pace; This was demonstrated 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 licence to operate in this area. In addition to this, Kāinga Ora and asset owners are currently trying to manage the risk of delays due to global supply chain and general labour market constraints resulting from the COVID-19 pandemic in 2020 and 2021.

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 the Ministry and the Treasury to check they reflected a sufficient challenge to the development plan and were aligned with government priorities.

**Table 11 Dimensions for density, tenure mix, and pace.**

Dimension	Options within each dimension
<b>Density</b>	Development Plan
	Increase density by 5% - 10%
	Increase density by 15%
<b>Tenure Mix</b>	Development Plan
	+10% public housing and -10% market
	+10% affordable and -10% market
	+10% market and -10% public housing
	+10% affordable and -10% public housing
	100% public housing
	33% public housing and 67% TRC 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% public and -10% market, the development plan of 33% public, 33% affordable and 33% market was reallocated to 43% state, 33% affordable and 23% market.

The table 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. Changes to density and tenure only apply to Glen Innes Northwest, Point England, and Panmure North.

**Table 12 The number of homes delivered under each of the density and tenure mix options**

Dimension	Option	Public Housing	Affordable homes	Market homes	Total
<b>Density</b>	Development Plan	1,549	1,518	1,574	4,640
	+5-10%	1,613	1,582	1,638	4,834
		1,678	1,647	1,703	5,029
	+15%	1,743	1,712	1,768	5,223
<b>Tenure mix</b>	Development Plan	1,549	1,518	1,574	4,640
	+10% public housing and -10% market	1,946	1,518	1,176	4,640
	+10% affordable and -10% market	1,549	1,915	1,176	4,640
	+10% market and -10% public housing	1,151	1,518	1,971	4,640
	+10% affordable and -10% public housing	1,151	1,915	1,574	4,640
	100% public housing	4,198	193	249	4,640
	33% public housing and 67% TRC affordable	1,549	2,842	249	4,640

## 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.

### 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 public 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

### 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

When assessing the options, Kāinga Ora has had regard to TRC's preferences. TRC favour the Development Plan timeline but it favours a 100% provision of homes to TRC as 33% public and 67% affordable housing mix. TRC would also prefer to deliver its affordable housing at a lower density than is proposed in the Development Plan. TRC note that increasing the density across Tāmaki will result in a higher number of apartments, which do not meet the needs of the existing community. Whilst there may be a need for a greater number of apartments later in the programme, TRC's priority for the next five years is providing homes for its public housing tenants and affordable housing pipeline so increased density outcomes are not fit for purpose.

This poses two potential issues:

- reduction in overall yield in the Tāmaki LSP as more land is required to support fewer dwellings; and
- there will be an increase in the total cost for the Crown for two reasons 1) TRC is only funded for 1,500 TRC affordable homes at this stage, and 2) there will lower external revenue from market developers and the Crown will need to support a higher shortfall.

### 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 1.10.2, 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 11 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 10.

Table 13 below shows the qualitative assessment of the long list options against the Investment Objectives and CSFs.

**Table 13 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 +5-10%	1c +15%	2a Development Plan	2b +10%; public housing and -10%; market	2c +10%; affordable and -10%; market	2d +10%; market and -10%; public housing	2e +10%; affordable and -10%; public housing	2f 100% public housing	2g Public Housing & TRC 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	
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	2	2	3	3	
Enable appropriate mix of public, market, and affordable housing	0.3	N/A	N/A	N/A	3	3	2	2	0	3	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	N/A	N/A	N/A	N/A	
Provide opportunity to partner with iwi to realise aspirations	0.1	3	3	2	3	3	3	3	0	3	3	2	0	0	
<b>Critical Success Factors</b>															
Strategic fit and business needs		Pass	Pass	Fail	Pass	Pass	Fail	Fail	Fail	Pass	Pass	Fail	Fail	Fail	Fail
Potential value for money		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
Potential affordability		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	Fail	Fail	Fail	Fail
<b>Overall Assessment</b>															
Investment Objectives		1.85	2	1.7	1.95	1.95	1.65	1.65	1.65	0.75	1.95	0.5	0.4	0.3	0.3
Critical Success Factors		Pass	Fail	Fail	Pass	Pass	Fail	Fail	Fail	Fail	Pass	Pass	Fail	Fail	Fail
Outcome from Assessment		Possible	Discounted	Discounted	Possible	Possible	Discounted	Discounted	Discounted	Discounted	Possible	Possible	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. Option 2f with 100% public housing was determined to not provide an appropriate mix of housing, as a high concentration of public housing places too much pressure on support services for the tenants and does not enable a diverse and thriving community. The final option is the preferred option for TRC, which meets the investment objectives and CSFs.

The Tāmaki 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% public housing and -10% market +10% affordable and -10% market 33% public housing and 67% TRC affordable
Pace	Development Plan

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

<b>Option 1: Development Plan</b>	— 4,640 new homes in the neighbourhoods in scope — Tenure mix of 33% state, 33% affordable and 33% market — In-scope development completed by 2039
<b>Option 2: +10% Public Housing and -10% Market</b>	— 4,640 new homes in the neighbourhoods in scope — Tenure mix of 43% state, 33% affordable and 23% market — In-scope development completed by 2039
<b>Option 3: +10% Affordable and -10% Market</b>	— 4,640 new homes in the neighbourhoods in scope — Tenure mix of 33% state, 43% affordable and 23% market — In-scope development completed by 2039
<b>Option 4: 33% Public Housing and 67% TRC Affordable</b>	— 4,640 new homes in the neighbourhoods in scope — Tenure mix of 33% state, 67% affordable and 0% market — In-scope development completed by 2039

## 2.5 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 Kāinga Ora's discount rate of 5.89%.

	Option 1: Development Plan	Option 2: +10% Public and -10% Market	Option 3: +10% Affordable and -10% Market	Option 4: 33% Public Housing and 67% TRC affordable
<b>NPC</b>	\$331 million	\$345 million	\$344 million	\$426 million
<b>Revenue</b>	\$685 million	\$662 million	\$664 million	\$531 million
<b>Costs</b>	\$1,111 million	\$1,111 million	\$1,111 million	\$1,111 million
<b>Net Costs (excl. CCO and contingency)</b>	\$426 million	\$449 million	\$448 million	\$580 million
<b>Net cost to Crown per home enabled (excl. CCO and contingency)</b>	\$92,000	\$97,000	\$97,000	\$125,000
<b>CSFs</b>	Pass	Pass	Pass	Pass
<b>Investment Objectives</b>				
Respond to climate change, and other Crown objectives	3	3	3	3
Increase pace of build-ready land to optimise density	3	3	3	3
Enable appropriate mix of public, market, and affordable housing	3	3	3	3
Enable critical infrastructure that improves wellbeing and provides capacity	3	3	3	3
Provide opportunity to partner with iwi to realise aspirations	3	3	3	3
<b>Investment Objectives Score</b>	<b>3.00</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	3
More affordable houses will be built	3	3	3	3
Sustainable and thriving communities resulting from taking a whole-of-community approach	3	2	3	3
Cultural values and traditions are supported in an inclusive community	3	3	3	3
Infrastructure is designed and built in a manner that reduces the potential environmental effects	3	3	3	3
Dwellings are delivered at a faster pace than they otherwise would be	3	3	3	3
<b>Benefits Score</b>	<b>3.00</b>	<b>2.83</b>	<b>3.00</b>	<b>3.00</b>

Option 1 has the lowest net cost. Whilst public and market sales rate are the same, the full amount for public housing is not recovered in the Tāmaki LSP. When public housing is increased, there is a portion that is not recovered, therefore Option 2 has a lower revenue than Option 1 resulting in a higher net cost.

Increasing the percentage of affordable housing, as shown in Option 3 and 4, 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 net cost of option 4 is significantly higher due to the mix of public and affordable housing only.

The four options scored the same against the Investment Objectives and scored highly against the benefits, showing that any of the four 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 public housing would put greater pressure on wraparound services, with a higher concentration of vulnerable tenants.

## 2.6 Preferred Way Forward

Based on the assessment, the preferred way forward for the HAF investment in the Tāmaki LSP is to proceed with the Development Plan option. The Development Plan option (option 1) has been selected over options 3 and 4 as it has a lower cost to Crown, but also allows for increased affordable housing if further investment is available at a later date. Whilst option 4 is the TRC preferred option, it has a significantly higher cost for the Crown.

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 Development Plan option for the neighbourhoods, Concord, and Catalyst projects, 1,257 existing homes would be removed to enable a total of 4,640 homes, seen in the below table.

**Table 14 Output for Tāmaki under the Development Plan option (in scope neighbourhoods only).**

Area decontaminated & remediated (sqm)		960,570
Existing homes set to be removed		1,257
Number of potential homes to be enabled:	Public	1,549
	Affordable/Market	3,091
	Total	4,640
Public housing growth		292

### 2.6.1 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 15 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 Tāmaki the three largest benefits were good neighbourhood design (noise), amenities and affordability. 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.

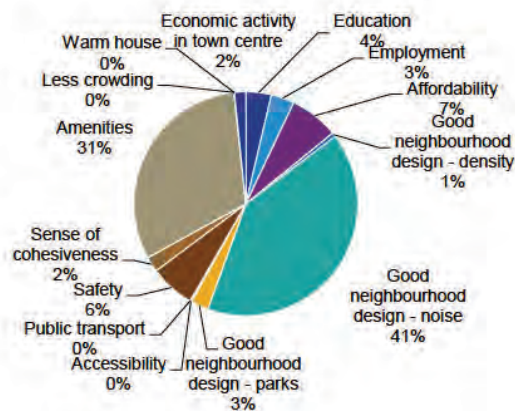


Figure 12 Tāmaki CBA benefit breakdown.

### 2.6.2 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.

The results of the quantitative risk analysis (QRA) have been summarised below and provide the quantum of contingency required for the Tāmaki precinct 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 Tāmaki precinct <i>(note – excludes escalation)</i>
P5 (5%)	\$45m
P50 (50%)	\$109m
P70 (70%)	\$132m
P80 (80%)	\$146m
P85 (85%)	\$154m
P90 (90%)	\$164m
P95 (95%)	\$181m

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.

## 2.7 TRC Preferred Scenario

TRC has expressed a strong desire for their preferred scenario to take-out 100% of homes enabled by the HAF with the tenure as 67% “TRC affordable” (shared equity) and 33% public homes.

In terms of the 4,640 homes enabled in Tāmaki, this preferred scenario would be represented as:

Homes already committed (Catalyst Projects)		666
TRC preferred scenario	Affordable homes	2,425
	Public homes	1,549
<b>Total homes enabled</b>		<b>4,640</b>

TRC has a 2018 Business Case approval for delivery of 3,500 public homes, which is also the figure used in the May 2020 Tāmaki Development Plan. TRC has funding in place for a proportion of these public homes. TRC is currently assessing when it will need to go back to the Crown for additional funding for constructing public homes, which would be up to the 1,549 public homes enabled by the HAF.

In addition, TRC has a 2021 Business Case approval for delivery of 1,500 TRC Affordable Homes. This is broken down as 1,000 shared equity homes and 500 rent to own. TRC would need additional Crown approvals to deliver the total 2,425 affordable homes enabled by the HAF (2,425 minus 1,500 equals 925 additional homes).

The TRC preferred scenario would have no impact to cost assumptions in this business case, but there would be a revenue impact to Kāinga Ora as a result of selling less land for market and market affordable developments. § 9(2)(b)

However, Kāinga Ora also recovers more costs back from TRC for land development and staff costs (as per the Umbrella Agreement), § 9(2)(b)(ii) TRC would also need additional approvals for this funding.

§ 9(2)(b)(ii). Revenue could be recovered by delivering predominantly market homes in the later parts of the development programme, but this could have the adverse impact of making homes more unaffordable at a later date, if land values continue to rise over time.

TRC’s shared home ownership programme is expected to generate § 9(2)(b)(iii) over 25 years. On day one when a homeowner enters into a shared home ownership arrangement, the purchase is cash flow neutral with the homeowner’s contribution to buying the home covering the cost of building, including in-ground costs. The funding generated from cash received from home owners as they repay TRC’s patient capital, together with TRC’s share of capital gains, at a maximum period of 15 years after they enter into the shared home ownership arrangement provides positive cash flows as homeowners’ purchase TRC’s share. Ramping up the programme is required to ensure the homes remain affordable, but it also results in positive cash flows being received earlier than previously modelled.

TRC has Ministerial approval to enter into 1,000 shared home ownership transactions and 500 rent-to-own transactions. The shared home ownership number is likely to be exceeded and TRC will seek further approvals outside of this PBC to increase this limit within the next 5 years. This is partially offset by reduced rent-to-own numbers which are tracking well below TRC’s initial expectations.

TRC will expect to be able to pay the § 9(2)(b)(ii) over this period. Funding this gap and holding costs using shared homeownership proceeds does not directly impact on the funding required to build the 3,500 public homes nor the homes enabled as part of this PBC.

This return to the Crown does go some way toward covering the revenue impacts to Kāinga Ora. However, the focus of the precinct business case is land enablement. Any additional funding or support for the TRC preferred scenario would require a separate business case approval.

For the purpose of the approvals sought in this business case, decisions around the tenure mix and level of TRC take-out will be deferred until 2022 when neighbourhood business cases are put to the Kāinga Ora and Tāmaki Regeneration Company Boards and the Minister of Housing for approvals. This approach will enable TRC to seek further approvals to make up their funding shortfall and for an All-of-Government position to be established, while at the same time not inhibiting the approvals required as part of this business case to develop land and enable housing intensification at scale and pace.

# 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 three neighbourhood developments within Tāmaki that are within the scope of this programme business case. These are Glenn Innes North West, Point England, and Panmure North (plus Concord and Catalyst projects).<sup>3</sup> All three neighbourhoods within scope have started development, with some in an early planning stage and others with new homes complete, and development is well underway in four catalyst projects.

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)

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<sup>3</sup> Within scope of this programme business case are also Concord and Catalyst projects within Tāmaki. The catalyst projects are a number of existing projects that were initiated by TRC where the land is already largely or fully serviced and homes have been built. The Concord project is in discussion between TRC and mana whenua to deliver papakainga housing.

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 Tāmaki. Kāinga Ora’s obligations to mana whenua are set out in the Kāinga Ora – Homes and Communities Act 2019, and its requirement to partner with Māori through the lens of Te Tiriti o Waitangi.

In Tāmaki, TRC is guided by their Te Tiriti o Waitangi Framework. TRC’s commitment is: ‘TRC will honour Te Tiriti o Waitangi as a founding document of Aotearoa and will embed the principles into our decision making and actions to achieve great outcomes for Māori’.

The key action areas in the Framework are:

- Kaitiakitanga: Sustainable management of the natural and physical resources with Māori as kaitiaki relating to its use, development and protection across all 19 iwi
- Hononga: Accelerating iwi and Māori community commercial, social, economic, cultural housing and environment aspirations through Te Tiriti partnership opportunities
- Akonga: Provide access and share learnings and insights of Te Tiriti o Waitangi, creating awareness and actions to advance Māori outcomes including building capacity and capability.

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 Tāmaki development in scope, 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 deliver 4,640 new homes. 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 and the construction of homes for TRC. 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 Tāmaki Precinct Development Plan 2020 outlines the high-level schedule of works that needs to be delivered as part of the Tāmaki development. The following services need to be procured for the neighbourhoods within scope to deliver these works:

- Urban design and masterplanning consultants
- 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 (market and economics reporting, legal support, etc)
- Note community engagement and tenant rehousing to support redevelopment are funded by TRC via Crown and are therefore not part of this bid

### 3.2.2 Development progress and timing of procurement

The Tāmaki development as part of this programme business case comprises three neighbourhood developments:<sup>4</sup>

- Glen Innes Northwest
- Point England
- Panmure North
- The Concord project and Catalyst projects are also within scope<sup>5</sup>.

All neighbourhoods are well into development, with homes either completed and tenanted or under construction in early superlot stages, particularly in the Catalyst projects<sup>6</sup>.

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<sup>4</sup> There are four neighbourhoods within the Tāmaki LSP that are outside the scope of this programme business case: Glen Innes North East, Glen Innes Central, Panmure Central, and Employment Precinct.

<sup>5</sup> The Catalyst projects are spread across the whole of Tāmaki, with some located in the three neighbourhoods that are within the scope of this programme business case and others that are in the remaining four neighbourhoods outside the scope. This is because the Catalyst projects were initiated by TRC before the seven Tāmaki neighbourhoods were defined.

<sup>6</sup> See Section 3.4.3 for more detail around disposal of land, selling of superlots, and construction stages.

Within Tāmaki, neighbourhood developments and superlots are broadly initiated as follows:

- Kāinga Ora sends TRC a ‘commencement notice’ as per the Umbrella Agreement, which sets a vacant possession date 12 months out for rehousing purposes. Kāinga Ora commences masterplanning, due diligence investigations and infrastructure design.
- TRC analyses housing requirements (numbers and typology) and provides a brief, which is endorsed by the TRC Board.
- Kāinga Ora prepares a neighbourhood/superlot plan and infrastructure design, with TRC review and feedback.
- Neighbourhood/superlot plan is reviewed by the Kāinga Ora Programme Control Group (PCG), Kāinga Ora Programme Governance Board (PGB), TRC PGB, and Kāinga Ora and TRC Boards. The TRC Board reviews all scale of developments, whether neighbourhood or superlot.
- Neighbourhood/superlot plan is finalised, and physical works can commence (house removals, remediation, superlot servicing, neighbourhood infrastructure, house construction).

There are many other steps led by Kāinga Ora including design review and consenting, procurement and tendering, negotiation and contracting, and TRC is involved every step.

Whilst funding for public housing construction is provided by TRC, Kāinga Ora staff capitalised overhead is included within this business case. Commercial arrangements for cost recovery from TRC are covered below.

### **3.3 Roles of parties in delivering works**

There are a number of parties involved in delivering works for the Tāmaki developments 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, place-making, community building and land sales and overall project management and coordinating delivery via its civils alliance partners and contractors.
- Tāmaki Regeneration Company (TRC) – Kāinga Ora’s partner in delivering the developments (responsible for leading urban regeneration activities, place-making, community engagement, and iwi engagement. The relationship between Kāinga Ora, Piritahi and TRC is explained in Section 3.3.3.
- 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
  - Healthy Waters (in Auckland Council) – responsible for leading stormwater management
  - Parks and Community Facilities (in Auckland Council) - responsible for parks and community facilities
  - 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 generally comprise land development activities including: transport, water, wastewater, stormwater, and public realm upgrades. 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 wider 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 party, 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.

### 3.3.3 Tāmaki Regeneration Company (TRC)

The relationship between Kāinga Ora and Piritahi is different for the wider Tāmaki LSP than other Auckland LSPs. This is because of the involvement of the TRC and an Umbrella Agreement between Kāinga Ora and TRC. Formed in 2013, TRC is an entity that is jointly owned by the government and Auckland Council. It is leading urban regeneration activity in Tāmaki to achieve four strategic objectives: social transformation, economic development, placemaking, and housing resources.

#### 3.3.3.1 Umbrella Agreement between TRC and Kāinga Ora

TRC and the former HLC finalised the Umbrella Agreement in December 2018 which sets out the principles and framework to guide the future delivery of housing. Kāinga Ora has replaced HLC in this role. The agreement provides clarity around roles and responsibilities and reflects the elements that are important to both organisations, though there is a degree of flexibility around delivery.

Under the agreement TRC is responsible for leading the urban regeneration activities, masterplanning, community engagement, and iwi engagement. Kāinga Ora's Urban Development Delivery (UDD) team is under contract to be the master developer responsible for neighbourhood planning, infrastructure delivery, superlot creation, contracting builders/developers to build the homes and selling the land.

The Tāmaki programme goals and objectives as per the Umbrella Agreement:

- Reduce the delivery timeframes for the redevelopment of public housing
- Ensure a constructive relationship between TRC and Kāinga Ora is maintained
- Create safe and connected neighbourhoods that support the social and economic development of Tāmaki
- Optimise the use of land and existing housing stock to effectively support and deliver social and economic results
- Deliver on the principles of the Tāmaki Precinct Masterplan, including design that caters for current and future residents
- Revitalise the public realm and create a healthy community
- Celebrate diversity

Strong collaboration between Kāinga Ora and TRC will continue to be required to deliver the development within this programme business case. This will include balancing commercial outcomes with the broader social and regeneration aspirations for Tāmaki.

### 3.3.3.2 Tāmaki development agreement and design and build agreement

There is a different development and design and build arrangement for Tāmaki than for other Auckland programme developments. The development of housing in Tāmaki will take place through a mix of public housing procured by Kāinga Ora and paid for by TRC, and private sector investment to deliver the affordable and market homes. A range of options to best deliver the development outcomes at scale and pace will be used.

These options will include development agreements for mixed tenure superlots (i.e. a superlot containing state, affordable and market homes), Early Contractor Involvement (ECI), collaborative contracts (e.g. Piritahi) and/or direct market tendering. The options will be tailored to ensure there are equitable risk allocations that, in turn, will contribute to a well-coordinated and comprehensive approach to divestment.

This approach may be different if the preferred option is the 100% TRC takeout option identified in the Economic Case. This will mean less of a focus on development partners and more direct contracting with design and build partners via a design and build contract.

### 3.3.3.3 Flexible options to achieve cost efficiencies

For the Tāmaki development in scope, builders and developers will be provided the opportunity to respond for either:

- All of the housing in a superlot/stage; or
- Just TRC public housing in a superlot in some instances; or
- Just market housing in a superlot in the future.

The combination of long-term pipeline and early involvement by these partners, in all aspects of standardisation of designing and delivery, will ensure that savings and efficiencies are realised.

## 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 Tāmaki neighbourhood development in scope, but all the Auckland LSPs, is significant. There is commonality in the type of work that needs to be undertaken in each LSP 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 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 would normally also engage with the community as it relates to their construction activity where it impacts local roads, reserves and infrastructure, although this is carried out by TRC in the case of the Tāmaki development within scope.

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. Section 3.4.2.3 contains 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 was entered into 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 Tāmaki Delivery Team 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 an LSP. 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 includes the 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
- Project Alliance Board (PAB) approval
- Kāinga Ora approval

For the Tāmaki LSP there is a parallel process with TRC to get TOCs approved by governance. This involves a subset of Piritahi’s minimum requirements, which are currently being developed.

With regards to Piritahi's TOC process, 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. Following the review, Piritahi obtains a letter from Kāinga Ora advising Kāinga Ora's view of the contracting amount. This is then submitted to the PAB. 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 late-2021. This would reflect the Programme Control Group (PCG) and Delegated Financial Approver 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. UDD 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, civils and amenity to the redevelopments on behalf of Kāinga Ora. Piritahi is responsible for the following:

- Site investigations
- 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 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>7</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 pepper pot public housing 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 PCG. 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 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%

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<sup>7</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.

- Price and commercial terms – 40%
- Understanding of and examples of partnership with mana whenua – 15%

Once approved, the IM is sent out 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 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 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 are (but 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 the term sheet agreement and DA 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 **Separate DA template**

A separate DA template operates in the Tāmaki LSP, to reflect the differing operating environment to the other LSPs. For example, in a mixed tenure superlot in Tāmaki, the underlying land is sold to the developer partner, the developer constructs the agreed number of homes to an agreed programme, then TRC buys back the agreed number of public and affordable homes. This means the DA is a quasi-sale and purchase of land, and design and build contract. The DAs reflect the fact that TRC owns the underlying land in Tāmaki rather than Kāinga Ora, so Kāinga Ora is acting as an agent of TRC. The DA includes other regeneration aspects required by Tāmaki, such as use of the Jobs and Skills Hub to source employment, and social procurement.

#### 3.4.5 **TRC housing repurposing programme**

TRC has developed a housing repurposing programme. The programme is an alternative to demolition, which aims to create more sustainable results by reducing construction waste and create opportunities for local employment. If relocating an existing home is not suitable, the house is dismantled and materials such as wood, windows, doors, and even appliances are salvaged for reuse or recycled in the community.

An example of the programme is:

- On one superlot, Kāinga Ora would have been responsible for contracting Piritahi to get the houses on the site removed.
- TRC contracted removal of 22 of the homes on the superlot under the programme.
- Kāinga Ora removed three of the homes with extensive contamination.

Going forward, it is under negotiation which party pays for the homes that have been removed. There are likely to be savings for Kāinga Ora if these costs shift to TRC, but the programme is in early stages and it is too difficult to quantify these savings.

#### 3.4.6 **Commercial arrangement for cost recovery from TRC**

A commercial arrangement for cost recovery from TRC is in place that has a material impact on Kāinga Ora financially (16). The construction services fee payable by TRC to Kāinga Ora is equal to a pro rata share of each superlot purchase price actually paid by the developer/builder. The parties agree that:

- Where the superlot purchase price paid by a developer/builder for a superlot that relates entirely to non-TRC houses, the services fee is equal to the entire superlot purchase price paid by the developer/builder to TRC.
- Where the superlot purchase price paid by the developer/builder is for a superlot that relates entirely to TRC houses, the services fee is nil.
- Any part of the superlot purchase price which has not been paid by the developer/builder when the services fee is calculated will not be included in the calculation of the superlot purchase price.

#### 3.4.7 **Construction services fee**

The construction services fee is intended to cover the following cost components for each TRC house in a stage (17):

- Build cost – this is the design, consenting, and build costs associated with the construction of the TRC houses in the relevant stage, as calculated under the developer/builder contract, divided by the number of TRC houses within the stage (but excluding the land cost). Note this aspect is not relevant as the business case does not cover house construction costs.
- In-ground cost – this is the costs associated with the development of the land for the TRC houses. It includes infrastructure (other than the infrastructure costs covered by the Infrastructure Plan or Infrastructure Funding Framework Agreement) required to service the houses in the relevant stage, as calculated under the

developer/ builder contract, provided that in-ground costs cannot be recovered if such costs already form part of the stage development costs, divided by the number of houses within the stage.

### 3.4.8 Infrastructure Funding Framework Agreement (IFFA)

TRC does not contribute to any of the infrastructure costs at neighbourhood or precinct level (18). There is an Infrastructure Funding Framework Agreement (IFFA) for Tāmaki which sits under the wider Umbrella Agreement. The IFFA was negotiated with Auckland Council under TRC, but now sits under Kāinga Ora.

This is set in Section 21.0 of the Umbrella Agreement and summarised as follows:

- Kāinga Ora will, at its own cost, manage TRC’s commitments under an Infrastructure Funding Framework Agreement (IFFA) entered into between TRC and Auckland Council and Auckland Transport and the Watercare Memorandum of Understanding relating to the development of each neighbourhood (19).
- Kāinga Ora can appoint one member to the PCG for the IFFA (TRC is responsible for the costs of this member).
- Kāinga Ora is responsible for the costs of bulk infrastructure, roading and public realm funding with Auckland Council, Auckland Transport and Watercare.
- TRC is not liable to pay for any costs incurred by Kāinga Ora in the delivery of public infrastructure within a neighbourhood or stage (unless agreed by TRC).
- TRC will remain a party to the Auckland Council and Watercare agreements, relating to development contribution and infrastructure growth charge credits, with the intention that such credits will be allocated to the development of the TRC houses only.

### 3.4.9 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 shovel ready contracts in place that impacts the Tāmaki LSP. The below tables summarise the contracts.

**Table 16 Summary of the wastewater shovel ready contract in place that impacts Tāmaki.**

Contract title	Tāmaki Priority Wastewater Upgrades
Parties	Kāinga Ora and Watercare
Scope	Taniwha Street Wastewater Pipe Extension Dunkirk Pump Station Upgrade and Eastern Interceptor Connection Dunkirk Road Wastewater Pipe Upgrade Tripoli Road Wastewater Pipe Upgrade
Commencement date	31 May 2021
Completion date	30 June 2024
Contract value	\$25 million
Contract title	Tāmaki Priority Wastewater Upgrades

**Table 17 Summary of stormwater shovel ready contract in place that impacts Tāmaki**

Contract title	Tāmaki Stormwater and Park Upgrade Bundle
Parties	Kāinga Ora and Auckland Council (Healthy Waters CCO)
Scope	Taniwha Reserve Stormwater Upgrades, Taniwha Street, Glen Innes Boundary Reserve/Dunkirk Street Culvert Upgrade North N5 Pipe Extension and Upgrades – Culvert Upgrades (DT & Tripoli Rd) Pilkington Rd Stormwater Pipe Upgrade Tāmaki College Stormwater Pipe Upgrade
Commencement date	To be finalised following collaboration between parties
Completion date	To be finalised following collaboration between parties
Contract value	\$11.3 million
Contract title	Tāmaki Stormwater and Park Upgrade Bundle

### 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. Section 3.4.2.4 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). In Tāmaki this is somewhat mitigated through TRC’s reimbursement of some Kāinga Ora costs.
- 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 TRC and Kāinga Ora and include:

- Managing the impact on existing 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 builder 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 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 have a say 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 wider 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.

### 3.7.1 Land sales market

#### 3.7.1.1 Overview

In September 2021 PwC provided Kāinga Ora with a report on the Auckland residential market (20). 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' (21). 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 (22). 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 (23). Demand for supplies is not isolated to 2020; suppliers and construction partners had been finding it difficult to access materials prior 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' (22). 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 (24).

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 (25). 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 (26). 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 (24). 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 (27).

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 (28).

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 Tāmaki 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 Tāmaki 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 three in-scope neighbourhoods, Concord and Catalyst Projects, and precinct works in the Tāmaki LSP:

- Prior to 1 July 2021 (actuals)
- From 2021/22 to 2038/39 (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.

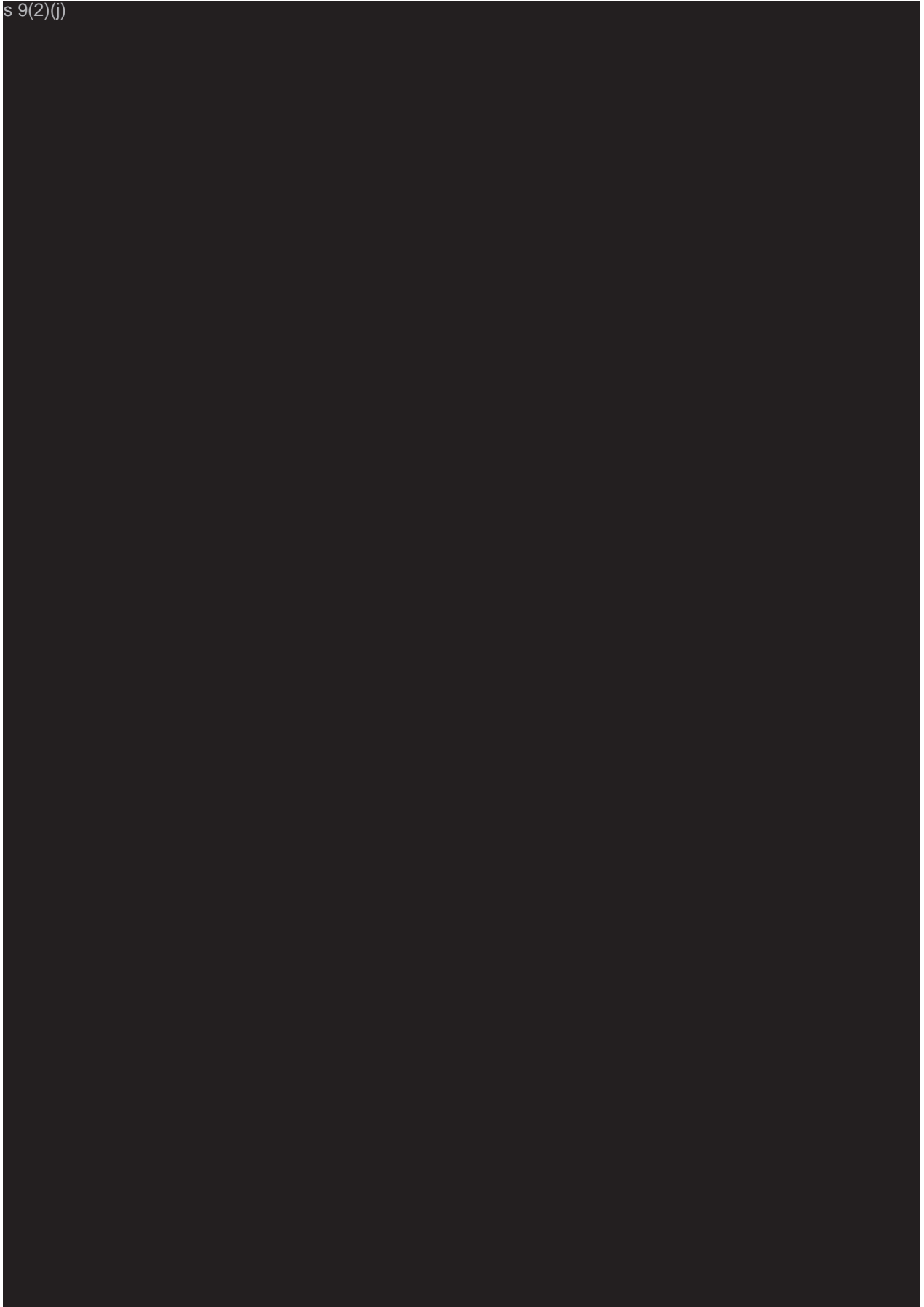
### 4.2 Cashflow summary

A financial model has been developed which calculates the revenues and costs associated with the Tāmaki LSP preferred way forward. Based on current forecasts and estimates, the anticipated cash flows for the Tāmaki development up to 2038/39 is presented in the table below. All values shown in the table are in New Zealand dollars, are not escalated and exclude GST.

Table 18 Anticipated cash flows.

Cash Flows (\$M)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	Total	
<b>Revenue</b>																					
Superlot sale - market/affordable	\$ 9(2)(j)																				518
Reimbursement from TRC																					168
<b>Total Revenue</b>																					<b>685</b>
<b>Costs</b>																					
Land development																					(866)
Precinct infrastructure																					(125)
Other precinct costs																					(120)
Contingency																					(109)
<b>Total Costs</b>																					<b>(1,221)</b>
CCO contribution																					
<b>Net Costs (excl. CCO contribution)</b>																					<b>(535)</b>
<b>Net Costs (incl. CCO contribution)</b>																					<b></b>

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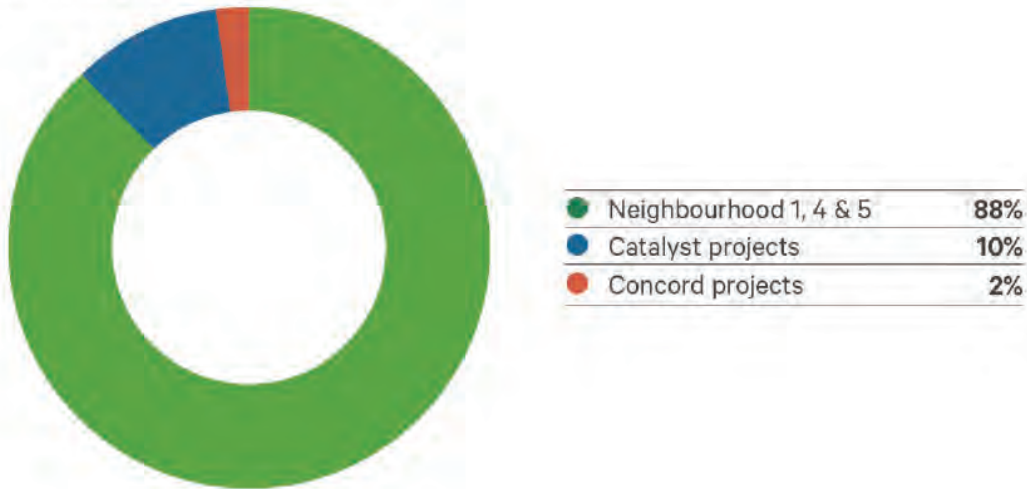
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## 4.4 Cost methodology

### 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 16 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 22 Breakdown of land development costs by neighbourhood.**

Land Development Costs (\$M)	Neighbourhood		Total
	Neighbourhoods 1,4 & 5	Catalyst Projects Concord Projects	
Acquisitions	121		121
Design and Professional Fees	47		47
Dwelling Removal	47		47
Decontamination & Remediation	59		59
Civils and Infrastructure (Neighbourhood)	541		541
Consenting - Land Development	11		11
Consenting - Environmental Controls	5		5
Vector & Chorus	28		28
Security	1		1
Legal - Sales	7		7
<b>Total Land Development Costs</b>	<b>866</b>		<b>866</b>

**Table 23 Differences in land development costs between neighbourhood.**

Land Development Costs	Neighbourhood		
	Neighbourhoods 1,4 & 5	Catalyst Projects	Concord Projects
Acquisitions	15%	2%	15%
Design and Professional Fees	4%	16%	5%
Dwelling Removal	5%	7%	6%
Decontamination & Remediation	7%	6%	6%
Civils and Infrastructure (Neighbourhood)	63%	60%	64%
Consenting - Land Development	1%	1%	1%
Consenting - Environmental Controls	1%	0%	1%
Vector & Chorus	3%	5%	2%
Security	0%	0%	0%
Legal - Sales	1%	3%	0%
<b>Total Land Development Costs</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 24 Land development cost assumptions.**

Land Development Costs (\$M)	Assumptions
Acquisitions	s 9(2)(i)
Design and Professional Fees	
Dwelling Removal	
Decontamination & Remediation	
Civils and Infrastructure (Neighbourhood)	
Consenting - Land Development	
Consenting - Environmental Controls	
Vector & Chorus	
Security	
Legals - Sales	

**4.4.2 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 Tāmaki is divided into the asset classes shown in the figure below.

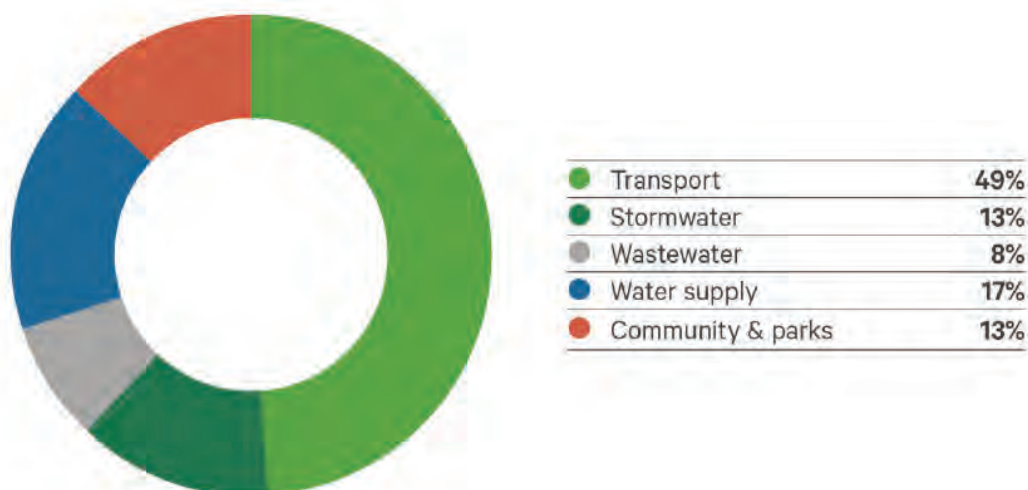


Figure 17 Precinct infrastructure costs by asset class.

Table 25 Precinct infrastructure costs by asset class.

Asset Type	Estimated Cost (\$M)
Transport	61
Stormwater	17
Wastewater	10
Water Supply	21
Community & Parks	16
<b>Total</b>	<b>125</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 L.

Table 26 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	TRC identified Spatial Delivery Strategy projects and all other projects have been priced by the Parks unit within Auckland Council.
Community	TRC identified Spatial Delivery Strategy projects and all other projects have been priced by the Parks unit within Auckland Council.

**4.4.3 Other precinct costs**

Other precinct costs include general overall precinct costs that 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 land holding costs and design review panel fees. For Tāmaki, Kāinga Ora does not hold any mana whenua engagement costs, and these are managed and paid by TRC.

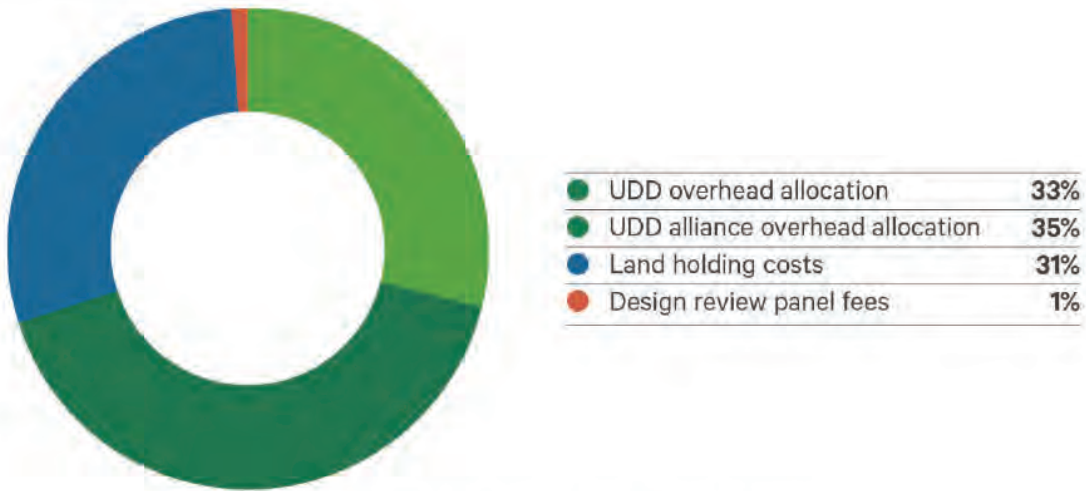
UDD alliance costs cover the overall management and running costs of Piritahi preliminaries and general (P&G). This excludes the roles that have been provided by Kāinga Ora, such as the Alliance General Manager and the Head of Pre-Construction. The total alliance P&G TOC has been allocated to each precinct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

UDD overheads refer to costs that 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 18 Other precinct costs by cost category.**

**Table 27 Other precinct costs by cost category**

Other Precinct Cost	Estimated Cost (\$M)
Design Review Panel Fees	1
UDD Overhead Allocation	40

UDD Alliance Overhead Allocation	43
Land holding costs	37
<b>Total</b>	<b>120</b>

#### 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 M.

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 Integr8ted 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 M.
- **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)

## 4.1 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. 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.

## 4.2 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. s 9(2)(j)

### 4.2.1 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 that make 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. s 9(2)(j)

— s 9(2)(j)

s 9(2)(j)

Table 28 CCO contribution assumptions.

Type	Party	Description	Assumption
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)

There is limited ability for Council, CCOs, and utility providers to provide funding to Kāinga Ora without prior allocation through their Long-Term Plan and asset management plan. These entities all have different ownership, debt, and funding models. For example, Auckland Transport is heavily reliant on Waka Kotahi and Watercare utilises Infrastructure Growth Charges. s 9(2)(j)

### 4.3 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 Tāmaki LSP is showing a \$29 million decrease in net costs (excluding CCO contributions) from the HAF 5-year view. This decrease is explained by the following movements in cash flow:

- Market/affordable 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. Reimbursements from TRC has decreased slightly due to a decrease in contingency from the QRA.
- Land development costs have increased. This is due to an increase in the civils and infrastructure rate based on the observed rates from neighbourhoods which are currently in progress.
- Other precinct costs have increased. This is primarily because UDD overheads were not included in the HAF 5-year view.
- Contingency has decreased. 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 QRA 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 29 Net cost variation from HAF 5-year view**

Cash Flows (\$M)	Budget 2020 Forecast	Current Forecast	Variation
<b>Revenue</b>			
Superlot sale - market/affordable	422	518	96
Superlot sale - state	180	168	(12)
<b>Total Revenue</b>	<b>601</b>	<b>685</b>	<b>84</b>
<b>Costs</b>			
Land development	(854)	(866)	(12)
Precinct infrastructure	(143)	(125)	18
Other precinct costs	(27)	(120)	(94)
Contingency	(141)	(109)	32
<b>Total Costs</b>	<b>(1,165)</b>	<b>(1,221)</b>	<b>(56)</b>
CCO contribution	s 9(2)(j)		
<b>Net Costs (excl. CCO contribution)</b>	<b>(564)</b>	<b>(535)</b>	<b>29</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 30 Fiscal projections.**

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

#### 4.4 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

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

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

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 31 Escalation Scenarios**

Escalation – Mangere, Roskill and Oranga, and Tāmaki (\$M)	Costs	Revenues	Net / Funding required
<b>Unescalated</b>	s 9(2)(j)		<b>(2,087)</b>
<b>Scenario 1 (2.2% cost, 2.2% revenue)</b>			<b>(2,209)</b>
<i>Scenario 1 – change from unescalated</i>			<i>(121)</i>
<b>Scenario 2 (3.0% cost, 7.9% revenue)</b>			<b>(1,345)</b>
<i>Scenario 2 – change from unescalated</i>			<i>743</i>
<b>Scenario 3 (3.0% cost, 2.2% revenue)</b>			<b>(2,386)</b>
<i>Scenario 3 – change from unescalated</i>			<i>(299)</i>
<b>Scenario 4 (3.8% cost, 2.2% revenue)</b>			<b>(2,562)</b>
<i>Scenario 4 – change from unescalated</i>			<i>(474)</i>

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

## 4.5 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)  
[REDACTED]
- 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)  
[REDACTED]

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.

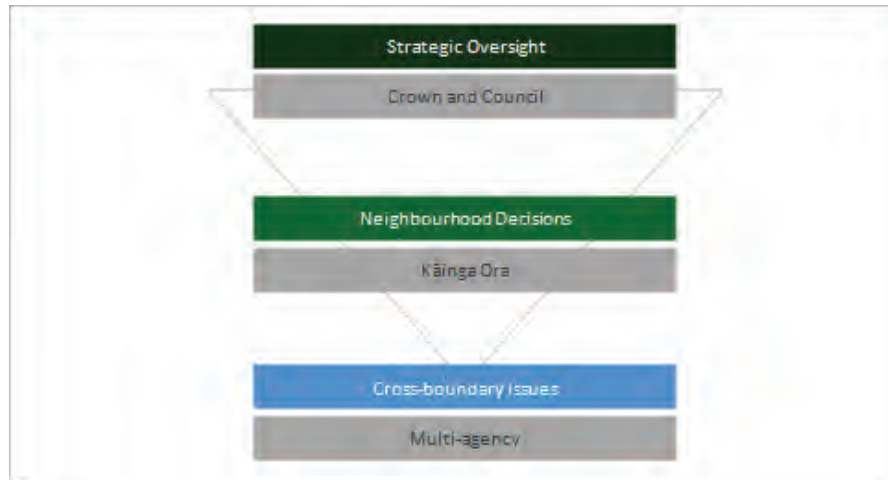
This management case will introduce the layered framework approach to governance and management for the LSPs based on three main interrelated levels of decision making: strategic oversight, neighbourhood and infrastructure decisions, and cross-boundary issues. It will then provide detail on the governance 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 18 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 19.



**Figure 19 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 partnership 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.

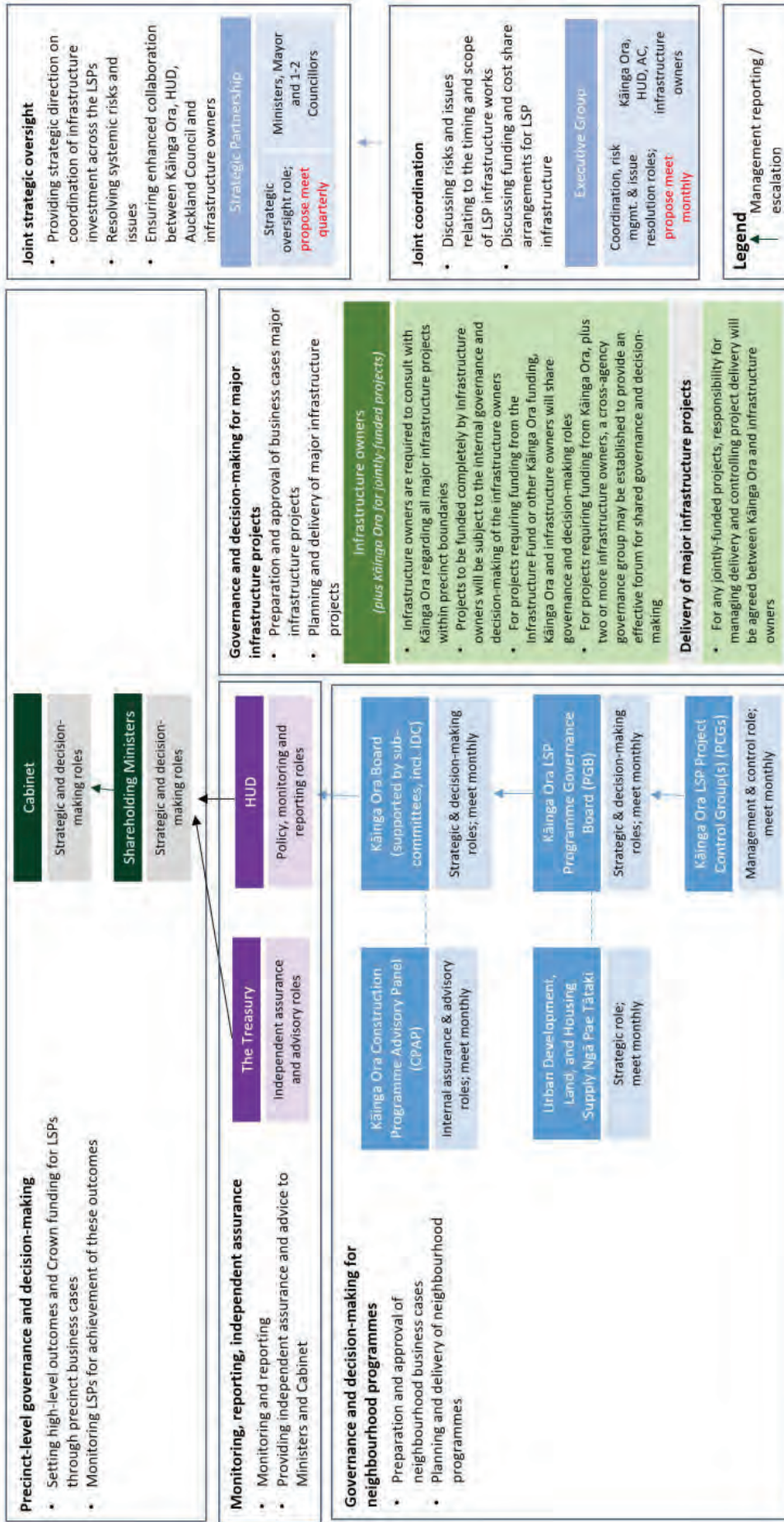


Figure 20 High-level view of the governance and decision-making structure.

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

### 5.3.1 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 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 Programme Governance Board (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 Construction Programmes Advisory Panel (CPAP) (refer section 45.1.3 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.

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

As mentioned, the Kāinga Ora Board remains accountable for the delivery of Kāinga Ora investment, 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 the below table. 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 32 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
Kāinga Ora Attendees	
Name	Role
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

### 5.3.3 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 the below table.

**Table 33 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

#### 5.3.4 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. This is explained in detail in section 5.5.1. 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:

- Financial
- Benefits management
- Māori aspirations
- Phase gate milestones
- Risks
- Programme schedule (pipeline)

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.

The below table shows the names and titles of the members currently on the Kāinga Ora LSP PGB.

**Table 34 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	Senior Development Manager - Urban Planning and Design
	Janna Campbell	Chief Advisor - Strategy, Finance & Policy Group
	Patrick Dougherty	General Manager Construction and Innovation
	Mark Fraser	General Manager Urban Development and Delivery
	Amos Kamo	Director Policy and Performance – Te Kurutao
	Angela Pearce	Regional Director Counties-Manukau
	Sam Price	Director Investment Management Office

### 5.3.5 Tāmaki Programme Governance Board (PGB) with TRC

The PGB with TRC is a forum to raise and resolve strategic issues for the Tāmaki LSP. The PGB is not a decision-making forum, but does endorse and give direction on decisions that need to be made and escalated to the TRC Board and Ministers.

TRC PGC and TRC Board approval is required at multiple milestones in a neighbourhood or superlot. For example, project brief, review of the neighbourhoods or superlot plan, house construction costs at a superlot level.

The PGB is comprised of members across Kāinga Ora and TRC. The below table shows the names and titles of the members currently in the TRC PGB.

**Table 35 Positions, Names and Titles of the members currently in the TRC PGB.**

Position	Name	Title/role
Chair	Christian Hurzeler	Director Large Scale Projects
TRC Members	Shelley Katae	Chief Executive
	Joanna Brain	General Manager, Regeneration & Placemaking

	Paul McElwee	Chief Financial Officer
Kāinga Ora Members	Shanon Tapp	Director Infrastructure and Civil Construction
	Nathan Palmer	Director Commercial and Governance
	Sue Evans	Director Urban Design
	Adam Johnstone	Project Director - Tāmaki

### 5.3.6 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 Reference that sets out the decisions that can be made by the PCG and those that need to be escalated to the PGB.

The below table shows the names and titles of the members currently in the Tāmaki PCG.

**Table 36 Positions, Names and Titles of the members currently in the Tāmaki PCG.**

Position	Name	Title/role in Kāinga Ora
Chair	Adam Johnstone	Project Director - Tāmaki
Members	Anaru AhKew	Tāmaki Regeneration Company
	Joanna Brain	Tāmaki Regeneration Company
	Sue Evans	Director Urban Design
	Nick Howcroft	Programme Director Delivery
	Nathan Palmer	Director Commercial and Governance
	Tony Walsh	Marketing and Communication Consultant

### 5.3.7 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.

## 5.4 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.

### 5.4.1 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.

### 5.4.2 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, including other stakeholders and the management responsibilities of Kāinga Ora and HUD for the stakeholders. The full Framework is in Appendix N.

### 5.4.3 Context of the TRC relationship

As set out in the Commercial Case, Kāinga Ora and TRC have an Umbrella Agreement that sets the framework for how the agencies work together. It will guide the governance, reporting and collaboration arrangements for the delivery of the Tāmaki LSP. The Commercial Case outlines the approval process with TRC.

**Table 37 Infrastructure owners and their interest, influence, and engagement requirements for the LSPs.**

Stakeholder	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> <li>— Responsible for approving resource and some building consents</li> <li>— Responsible for engineering plan approvals</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 Strategy and Auckland Council Delivery Plan</li> <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>

## 5.5 Change control and tolerances

### 5.5.1 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.

### 5.5.2 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.

## 5.6 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.

### 5.6.1 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 the Ministers, via HUD, with 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 Control Group reporting packs for that month. The full requirements for PGB reporting are outlined in Table 3 of the 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.

### 5.6.2 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.

### 5.6.3 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.

### 5.6.4 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.

## 5.7 Programme Management

The Tāmaki programme structure and key personnel are shown in Figure 20. The Tāmaki LSP team is 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, Te Kurutao).

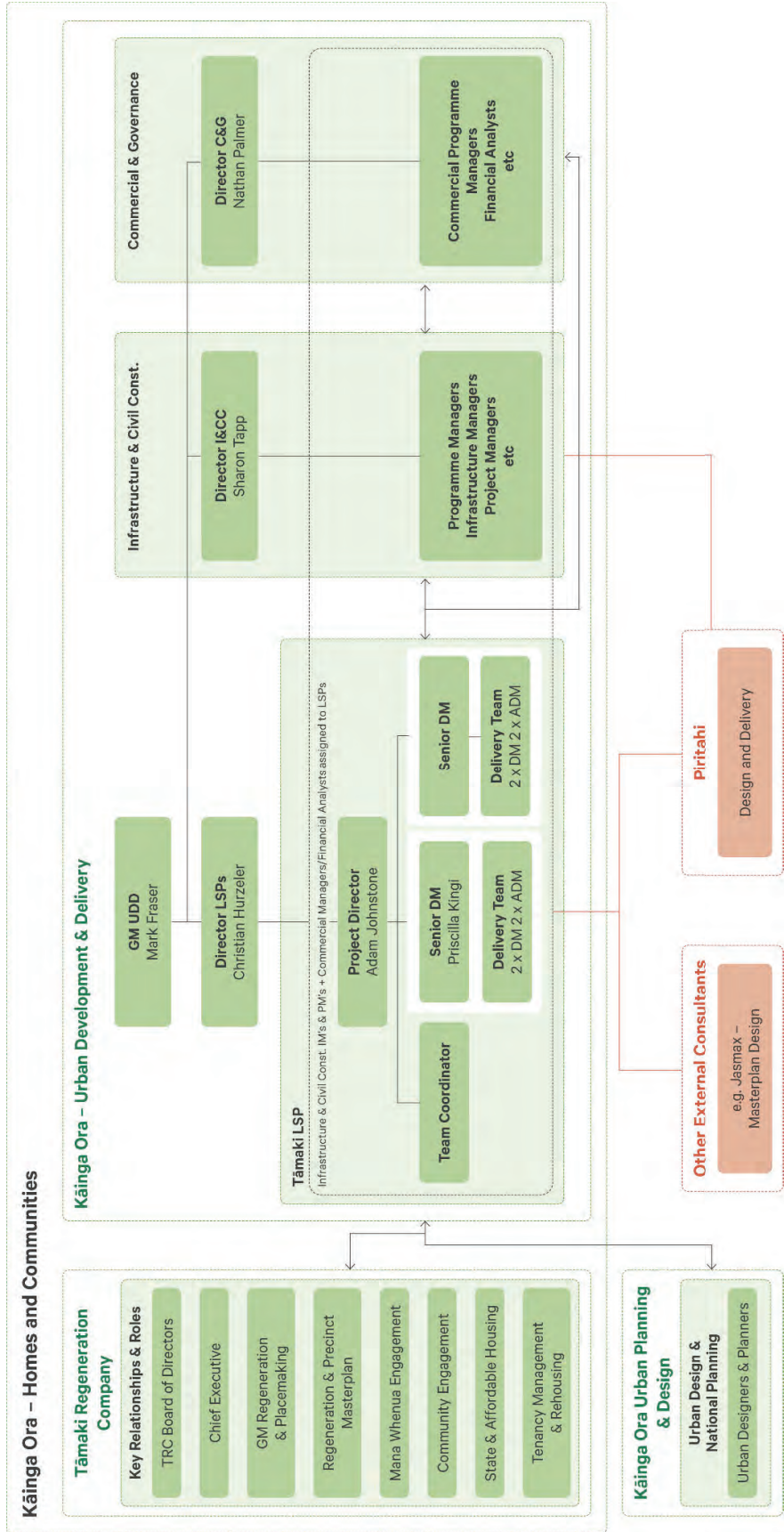


Figure 21 The Tāmaki LSP delivery team structure.



## 5.8 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 the below table.

**Table 38 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

## 5.9 Benefits Management

The Tāmaki precinct development will benefit the Tāmaki community and contribute to wider Kāinga Ora and TRC outcomes, as set out in the Strategic Case. The benefits for Tāmaki 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 Tāmaki LSP (refer Appendix O). 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.

## 5.10 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 in Table 38. 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 Governance and Decision-Making Framework.

**Table 39 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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31. *Tenancy Services data presented in 'Auckland residential market commentary' draft, PwC September 2021.*

# Appendices



## 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 40 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.
Tāmaki Redevelopment Company Limited Constitution (Constitution)	<p>Outlines the purpose of TRC as a company to pursue the Transformation Objectives in accordance with their Statement of Intent.</p> <p>TRC’s four Transformation Objectives relate to social, economic, spatial, and housing resources for the transformation of Tāmaki.</p>

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Tāmaki Regeneration Company Statement of Intent (TRC SOI) 2021-2025

Outlines the strategic priorities for TRC, including housing resources.

Kāinga Ora, as the Master Developer for Tāmaki, is responsible for delivering projects in line with these strategic priorities.

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## 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 (2).

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. § 9(2)

(i)

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 (3).

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 (4).

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 (5).

## Appendix C Tāmaki Precinct Approvals to Date

### 6.1.1 Tāmaki Progress to date

Since the May 2020 Development Plan, 229 homes have been delivered in the Tāmaki precinct with a further 649 enabled within the superlots. Neighbourhood planning has been completed in Point England and Panmure North. Neighbourhood planning has begun in Glen Innes Northwest.

Point England and Panmure North have been combined and delivery is proposed to be undertaken in three phases over 15 years. Phase one has commenced with the first superlot underway. Neighbourhood and infrastructure planning for Glen Innes Northwest has commenced and is expected to be completed by December 2021.

The Tāmaki Development Plan May 2020 noted that 632 catalyst dwellings had been delivered to 31 March 2020 of the total 1,635 forecast. Since May 2020, another 229 homes have reached practical completion.

At May 2020, there were 21 active catalyst projects. Four of these are fully complete and one has been removed from the programme due to significant archaeological finds. TRC is determining the outcome of this site with mana whenua. This leaves 16 active catalyst projects.

Kāinga Ora has commissioned Piritahi to remediate the Concord project site, starting October 2021 and this is due to be completed by the end of the calendar 2021 year.

### 6.1.2 Tāmaki Approvals to Date

Approval	Date	Approver
Tāmaki Regeneration Business Case	January 2018	Completed by TRC  \$300m drawdown for delivery of public housing in Tāmaki, funded by TRC  Agreed to regeneration approach rather than redevelopment
Tāmaki Precinct Masterplan	December 2018	Completed by TRC  Establishes the spatial delivery strategy, the vision for delivery of new homes and a place to live, play and work,
HLC and TRC Umbrella Agreement	December 2018	Completed jointly between Kāinga Ora and TRC  Establishes the roles and responsibilities of Kāinga Ora and TRC in managing delivery of infrastructure and housing in Tāmaki
Tāmaki Interim Infrastructure Masterplan	April 2019	Completed by Kāinga Ora  Completed to support the Tāmaki Precinct Masterplan, and has informed the detailed Neighbourhood Infrastructure Plans now completed by Piritahi
Tāmaki Programme Business Case	July 2019	HLC Board and TRC Board  Approved mandate for the housing delivery programme, delivery of 10,500

		homes as set out in the Tāmaki Precinct Masterplan, tenure split of state/market/affordable, 25 year delivery programme, rough order of costs for infrastructure and housing delivery
Tranche 1 funding	2021	Completed by Kāinga Ora The tranche of funding for FY21/22 associated with the HAF
Affordable Housing Business Case	December 2020	Completed by TRC Approval to deliver 1,500 affordable homes (1,000 shared equity and 500 rent to own)

# Appendix D Tāmaki Precinct Benefits Summary

Table 41 The Tāmaki Precinct Benefits Summary that maps the wider benefits that TRC and Kāinga Ora are seeking to achieve for Tāmaki.

Kāinga Ora Primary Outcome		Tāmaki Outcomes Framework Benefit Description		Measures (TRC and Kāinga Ora)		Data Source
<p><b>Quality and affordable homes</b></p> <p>Good quality, affordable housing choices meet diverse needs</p>	<p>Tāmaki has quality housing. Tāmaki housing reflects the needs of its community. It is accessible, of high quality, and is safe.</p> <p><i>Note: Missing content about the typology mix. Example: Improved mix and type of good quality public, affordable, and market housing to help meet unmet demand for housing.</i></p>	<p><b>TRC:</b></p> <ul style="list-style-type: none"> <li>Tāmaki has quality, safe, warm, and dry houses</li> <li>Tāmaki housing meets our diverse community needs</li> <li>Tāmaki delivers a world-class social housing service</li> <li>Tāmaki is leading innovative housing mobility solutions</li> </ul> <p><b>Kāinga Ora:</b></p> <ul style="list-style-type: none"> <li>Improved land utilisation and increased provision of build-ready land</li> <li>Private owned land now has capacity</li> <li>New and improved infrastructure to allow future infrastructure</li> <li>Planned housing portfolio mix achieved</li> <li>Improved access to affordable homes</li> <li>Improved bedroom typology mix</li> </ul>	<p><b>TRC:</b></p> <ul style="list-style-type: none"> <li>Count of newly developed houses over time</li> </ul> <p><b>Kāinga Ora:</b></p> <ul style="list-style-type: none"> <li>Total number of new homes to be developed</li> <li>Average development yield ratio</li> <li>SQM / Ha of land remediated to date</li> <li>Number of infrastructure projects allowing for future development</li> <li>Housing type (standalone, apartment, terrace, walk up) required in the community</li> <li>Number and mix of new public housing, affordable and market homes delivered</li> <li>Percentage of market homes that are affordable</li> <li>Average dwelling size (small, medium, large)</li> </ul>	<p>Kāinga Ora: PMIO Monthly reporting</p>		
	<p>Tāmaki is environmentally awesome:</p> <p>Tāmaki has natural resources which are protected and enhanced so that they can be enjoyed and utilised for generations to come.</p> <p><i>Note: Could add some text around climate change mitigation/adaptation. Example: Our homes, communities and operations are not unduly affected by climate change.</i></p>	<p><b>TRC:</b></p> <ul style="list-style-type: none"> <li>The natural environment is protected, restored, and enhanced</li> <li>New native vegetation improves local biodiversity</li> <li>Our native and natural environment is improved and connected</li> <li>Great quality water</li> </ul> <p><b>Kāinga Ora:</b></p> <ul style="list-style-type: none"> <li>Stream evaluations and ecological assessments</li> <li>Tree Coverage - Urban Ngāhere Forest Strategy</li> <li>Reduced waste by Kāinga Ora construction activities</li> <li>New homes built to modern standard</li> <li>Flood Risk evaluation</li> </ul>	<p><b>TRC:</b></p> <ul style="list-style-type: none"> <li>Ecoli count comparison with Auckland with and without TRC intervention</li> </ul> <p><b>Kāinga Ora:</b></p> <ul style="list-style-type: none"> <li>Measure water quality, fish numbers, evidence of scouring (reduced impact)</li> <li>Number of Trees planted, transplanted, trees retained, tree coverage</li> <li>Amount of waste reduced, reused, recycled and/or diverted from landfill (tonnes) - Removal Waste and Construction Waste</li> <li>Number of house relocations</li> <li>Number of homes delivered with HomeStar 6</li> </ul> <p><i>Note: All homes delivered will rate a minimum of 6 out of a minimum.</i></p> <ul style="list-style-type: none"> <li>Number of homes identified as Passive housing</li> <li>Proportion of homes exposed to flood risk</li> <li>Number of houses enabled via SW management plans</li> </ul>	<p>Kāinga Ora: Pirirahi PMIO Monthly reporting Project team Urban Ngāhere Lead</p>		
<p><b>Partnering with Māori</b></p> <p>Māori interests are protected and their needs and aspirations are met</p>	<p>Tāmaki partners uphold Te Tiriti O Waitangi:</p> <p>Tāmaki partners operate within the principles of Te Tiriti O Waitangi to create opportunities for mana whenua of Tāmaki and Māori communities to achieve their aspirations.</p> <p>Within this framework Tāmaki partners exemplify what best practice Tiriti partnerships look like and growing tauwiwi (non-Māori) Tiriti partnership.</p>	<p><b>TRC</b></p> <ul style="list-style-type: none"> <li>Turangawaewae (Māori have a place of strength and belonging, a place to stand)</li> <li>Taonga tuku iho (the retention and protection of taonga in the hands of the owners for their whānau)</li> <li>Mana Māori motuhake (Enabling the right for Māori to be Māori)</li> </ul> <p><b>Kāinga Ora:</b></p> <ul style="list-style-type: none"> <li>Delivery of programme reflects the needs and aspirations of Māori</li> <li>Mana whenua engagement</li> <li>Support for local Māori social and economic enterprises. Māori commercial opportunities identified.</li> </ul>	<p><b>TRC:</b></p> <ul style="list-style-type: none"> <li>Rates of mana whenua &amp; Māori participation in Crown / Council / Community governance roles</li> <li>Rates of mana whenua &amp; Māori participation in service design and delivery</li> <li>Spent on mana whenua kaupapa relative to claim amount</li> <li>Reduction in inequities between mana whenua &amp; Māori and non-Māori across social determinants of wellbeing (ie health, income, and housing etc)</li> <li>Mana whenua &amp; Māori home ownership rates</li> <li>Mana whenua &amp; Māori partnership agreements</li> <li>Tauwiwi within commercial spaces actively undertaking the principles of Te Tiriti o Waitangi</li> <li>Mana whenua &amp; Māori have increased their physical and commercial footprint in their role</li> </ul> <p><b>Kāinga Ora:</b></p> <ul style="list-style-type: none"> <li>Number of Iwi engagements on key infrastructure and amenities</li> <li>Number of Māori interests identified</li> <li>Number of Māori community enterprises supported as a proportion of the 5%-7% of the contract sum spent with targeted organisations in the community</li> </ul>	<p>Kāinga Ora: Te Kaitiaki Social Procurement/Project team</p>		

**Kāinga Ora Primary Outcome**

**Tāmaki Outcomes Framework Benefit Description**

**Indicators (TRC and Kāinga Ora)**

**Measures (TRC and Kāinga Ora)**

**Data Source**

Tāmaki whānau have a strong Tāmaki identity. Tāmaki whānau feel connected to their communities, neighbourhoods, and each other.

Note: There is a need to add content for mobility customers, skills training and design standards for safety.

Example: Communities are supported to lead lives with dignity and the greatest degree of independence possible. Communities where Kāinga Ora has housing stock are assisted to develop and thrive as cohesive and safe places to live.

**Dignity and Independence**  
Customers feel safe in their homes and community

- TRC:**
- Tāmaki whānau have a strong sense of belonging and connection
  - Tāmaki whānau are decision makers for their community
  - Tāmaki whānau are happy
  - Tāmaki whānau feel good about living in Tāmaki

- Kāinga Ora:**
- Accessibility and mobility features
  - Skills training support for the community facilitated
  - Kāinga Ora homes meet universal design standards and CPTED Principals

- Kāinga Ora:**
- Number of state homes delivered that meet accessibility needs
  - Number of skills training opportunities provided to local community
  - Achieved number of homes meeting agreed Kāinga Ora universal design standards and CPTED Principals
- Construction & Innovation department  
Construction Plus  
Builder Partners  
UPD (Design Review Panel)

- TRC:**
- Neighborhood satisfaction scores (Self-assessed how satisfied are you with where you live?)
  - Future community survey

Tāmaki whānau are financially secure and independent. Tāmaki whānau are able to be financial autonomous, and are able to achieve their financial goals.

Tāmaki has connected neighbourhoods. Tāmaki is interconnected and as such is easier, more affordable, and safer to get around.

Tāmaki has a thriving economy. Tāmaki enables the financial growth of its people, its businesses and provides opportunities for employment and entrepreneurship

**Sustainable Communities**  
Sustainable, inclusive and thriving communities support good access to jobs, amenities and services

- TRC:**
- Tāmaki whānau have greater financial independence & security
  - Tāmaki whānau engage and achieve in education and skills development
  - Tāmaki whānau have sustainable employment

- TRC:**
- Tāmaki has great transport links
  - Tāmaki has connected neighbourhoods
  - Tāmaki has great services and facilities
  - Tāmaki is a safe place to live

- TRC:**
- Tāmaki has thriving town centres
  - Tāmaki entrepreneurship, social good & local employment grows and thrives here

- Kāinga Ora:**
- Benefits to community through construction
  - Social procurement outcomes: support for local Pasifika social and economic enterprises.
  - New/upgraded social spaces and infrastructure facilities for customers as planned.

- TRC:**
- NZQA average level in population - now until 2040 with and without TRC intervention (split by ethnicity, age (include NCEA)) AKL vs TAM
  - NEET rates
  - NCEA level 2+ attainment
  - Labour force participation rates

- TRC:**
- Self-assessed community safety rating in neighbourhoods (I feel safe to walk in my neighbourhood after dark)
  - Future: To be counted by community perception survey (4yly)

- TRC:**
- Employment type by size, sector, ethnicity, age, gender, by sector and ethnicity
  - Count of businesses in Tāmaki over time

Kāinga Ora:  
Piriitahi  
Construction Plus  
Placemaking team  
Project team

Tāmaki whānau love their homes. Tāmaki whānau are proud of where they live and see their dwellings as a home, not just a house

Tāmaki whānau have good health & wellbeing. Tāmaki whānau experience positive outcomes in all domains of wellbeing, including the physical, cultural, mental, relational and spiritual

- TRC:**
- Tāmaki whānau live in quality homes
  - Tāmaki whānau have housing security
  - Tāmaki whānau love their homes

- TRC:**
- Housing insecurity calculation of homelessness and housing insecurity now until 2040 with and without TRC intervention AKL vs TAM
  - Movement across the housing continuum

- TRC:**
- Avoidable hospitalization rates (ASH) - now until 2040 with and without TRC intervention, by ethnicity, AKL vs TAM
  - DNA rates

Tāmaki has vibrant neighbourhoods:  
Tāmaki celebrates its unique composition and history through its physical design

TRC:  

- Tāmaki has a unique visual identity
- Tāmaki reflects the design aspirations of community
- Tāmaki is a great destination that hosts local and regional events

TRC:  
 Future: Develop neighbourhood ratings survey / assessment

Tāmaki partners engage in systems thinking. Tāmaki partners utilise the resources, capacity, and capability of its components to maximise the benefit to whānau

TRC:  

- Tāmaki partners ensure Tāmaki whānau have good access to high quality services and supports they need, when they need them
- Tāmaki partners have a shared purpose to achieve systemic change
- Tāmaki partners change their behaviour, including in policies, practice, and resourcing to benefit Tāmaki
- Tāmaki partners have shared data-capture and monitoring systems
- Tāmaki partners devolve their power, funding, and decision-making mechanisms

TRC:  

- Reduction in inequities between equity groups and non-equity groups across social determinants of wellbeing (ie health, income and housing etc)
- Increase in number of MoU, MoA and related partnership agreements

**System transformation**  
 System transformation is catalysed and delivered

Note: Could add content around innovation and pilots to speed up delivery.

Kāinga Ora:  

- Innovative solutions to delivery planned housing
- Pilots undertaken to support innovation

Kāinga Ora:  

- Number of new / innovative housing construction methodologies applied
- Number of delivery partners utilising alternative construction methodologies
- Number of innovative pilots (eg: solar power, green waste pilots, passive housing developments)

Tāmaki partners drive equitable change:  
 Tāmaki partners acknowledge that specific groups in Tāmaki are unfairly and unjustly marginalised through experiencing differential levels of advantage and as such require specifically tailored and innovative approaches to support their success

TRC:  

- Tailored interventions based on the needs and aspirations of equity groups
- Greater representation by equity groups in decision making
- Governance have the skills and understanding to act and think in an equitable way
- Trained equity practitioners
- Equity specific measures and monitoring protocols

TRC:  

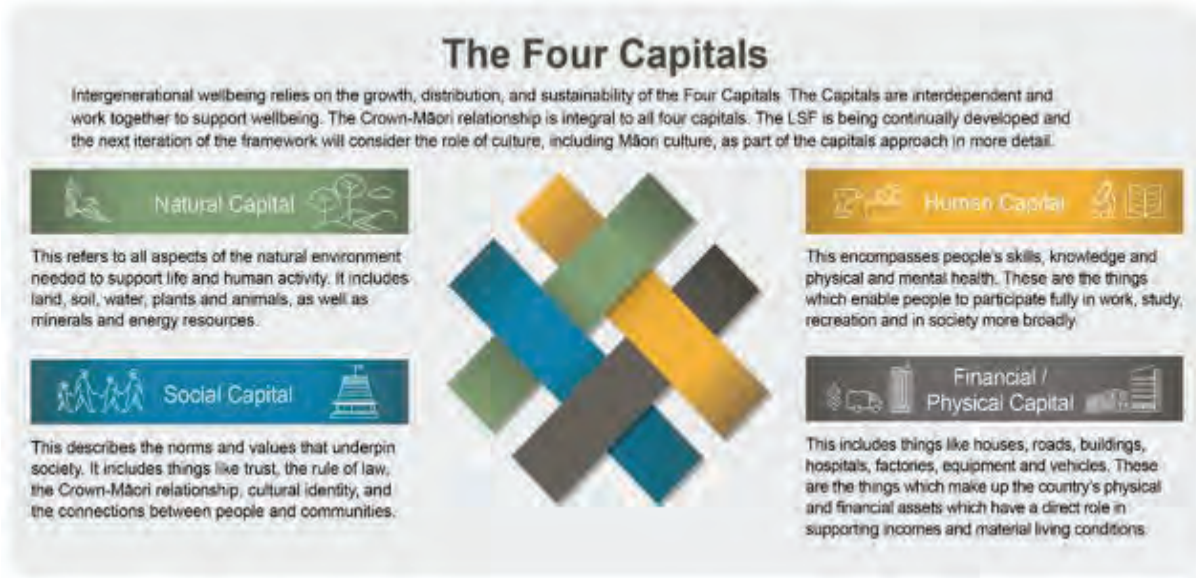
- Rates of equity group participation in governance roles
- Rates of equity group participation in service design
- Level of equity competence attained by governance practitioners etc
- Rates of representation of equity groups in organisations
- Funding directly invested into equity-specific activities / programmes (\$)
- Reduction in inequities between equity groups and non-equity groups across social determinants of wellbeing (ie health, income, and housing etc)

Kāinga Ora  
 Project team

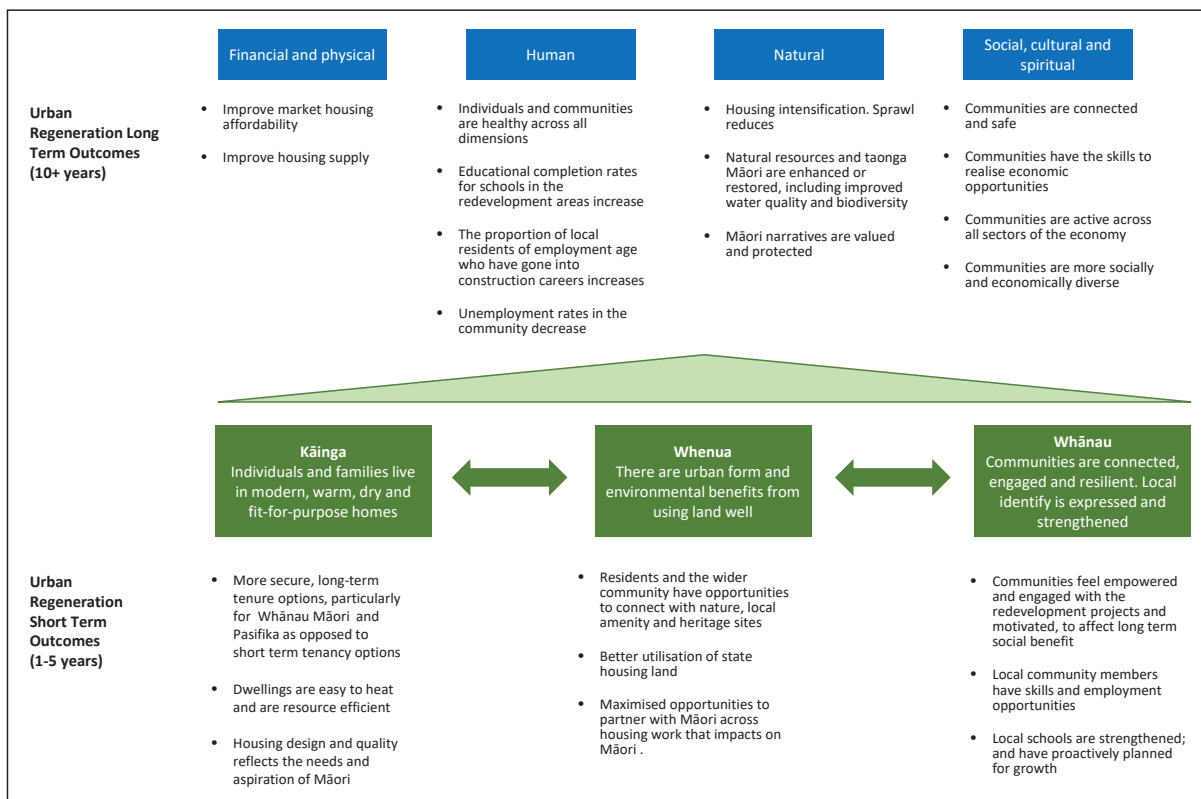
## Appendix E Economic impact of Auckland LSPs

### 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

Kainga 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. Kainga 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. Kainga 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.

	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 Kainga 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	<ul style="list-style-type: none"> <li>Support local retail/services nodes that service growing communities</li> </ul>	<ul style="list-style-type: none"> <li>unique to the neighbourhoods we work in</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Masterplanning of areas recognising the Māori values of rangatiratanga, manaakitanga, kaitiakitanga, wairuatanga and Whānaungatanga</li> </ul>	<ul style="list-style-type: none"> <li>Neighbourhood Masterplanning -ensure that built form expresses local identity and aspiration</li> </ul>
<ul style="list-style-type: none"> <li>Diversify the type and location of state and public housing</li> </ul>	<ul style="list-style-type: none"> <li>Mobilise central and local government; support, iwi and hapū property development</li> </ul>	<ul style="list-style-type: none"> <li>Partner with mana whenua, and engage with communities, stakeholders and local board early on and share as we go.</li> </ul>
<ul style="list-style-type: none"> <li>Deliver a variety of typologies and sizes</li> </ul>	<ul style="list-style-type: none"> <li>Support construction industry development and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Support schools as a valued asset</li> </ul>
<ul style="list-style-type: none"> <li>Use of best practice sustainable development and construction approaches</li> </ul>	<ul style="list-style-type: none"> <li>Provision of sustainable and futureproofed infrastructure, both directly and indirectly via collaboration with others</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate local employment in construction and development; support capability and skills building through education and training -emphasis on outreach to low income subgroups</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Options for enhancing local parks to cater for increased population are explored with Auckland Council</li> </ul>	<ul style="list-style-type: none"> <li>Existing identity and networks are appreciated and nurtured during development</li> </ul>
<ul style="list-style-type: none"> <li>Facilitate alternative pathways to homeownership, especially for Māori and keyworkers(TBC)</li> </ul>	<ul style="list-style-type: none"> <li>Apply best practice and innovative strategies around house removal and relocation</li> </ul>	<ul style="list-style-type: none"> <li>work alongside and support existing community governance to embed long term social, community and economic benefits</li> </ul>
<ul style="list-style-type: none"> <li>Enable the adoption of Homestar6, assist in improvement and refinement of the tool</li> </ul>	<ul style="list-style-type: none"> <li>Enable existing programmes which support energy upgrades</li> </ul>	<ul style="list-style-type: none"> <li>Close working relationships with stakeholders, stakeholder networks and local boards established with the aim of effecting local aspirations through the development</li> </ul>
	<ul style="list-style-type: none"> <li>Enable existing programmes which support water efficiency</li> </ul>	
	<ul style="list-style-type: none"> <li>Ensure planned Public Transport (PT) links between key employment, education and commerce nodes and accord with the planned redevelopment</li> </ul>	<ul style="list-style-type: none"> <li>Need a town centre development activity here.</li> </ul>
		<ul style="list-style-type: none"> <li>Promote access to fresh, nutritious and affordable food</li> </ul>
		<ul style="list-style-type: none"> <li>Preserve agriculture lands ;Provide support for local food production</li> </ul>

## 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 Kainga Ora land
- More home options (Price, design, typology and size) to support the move to security of tenure and/or home ownership
- Kainga 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.

**Medium-term outcomes**

*Medium-term changes expected or intended to follow from the short-term outcomes (6 – 10 years)*

- Better housing quality
- Partnerships with Māori to develop and deliver housing
- Māori are actively involved in decision-making and management of natural resources; Māori are kaitiaki of the environment
- Commercial/development ventures with mana whenua, iwi and hapū
- A stronger construction and development sector
- Catalyse private investment into development
- Increase in travel to work and study via active transport and public transport modes
- Whānau wellbeing and resilience is strengthened
- Cultural wellbeing is future-proofed
- Improve perceptions of the quality of public spaces
- Residents identify positively with the area, and feel they belong

**Long-term outcomes**

*High-level benefit or ultimate change that the intervention contributes to (10+ years)*

**Financial and physical capital**

- Improve market housing affordability
- Improve housing supply

**Human capital**

- Individuals and communities are healthy across all dimensions (wairua, whānau, hinengaro, tinana)
- Educational completion rates for schools in the redevelopment areas increase
- The proportion of local residents of employment age who have gone into construction careers increases
- Unemployment rates in the community decrease

**Natural capital**

- Housing intensification; sprawl reduces
- Natural resources and taonga Māori are enhanced or restored, including improved water quality and biodiversity
- Māori narratives are valued and protected

## Appendix F Long List Assessment

### Density

#### Development Plan

Outcome from Assessment: **Possible**

The Tāmaki development plan intends to deliver approximately 4,640 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

#### 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 4,834 and 5,029 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 four years to the programme timeline at Tāmaki.
- 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 larger families who will live in these new homes. Potential impact on social license to operate.
- 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.

- 
- Financial for TRC – increased/escalated costs including due to management issues and whole of life costs
- 

### 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 5,222 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 increase the length of the programme timeline, by approximately 30%; or adding eight years to the programme timeline at Tāmaki, 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. Potential impact on social license to operate.
  - 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 upgrades to bulk infrastructure to support the increased number of homes, which increases cost, complexity and project timeline.
  - Financial for TRC – increased/escalated costs including due to management issues and whole of life costs
-

## Tenure Mix

### Development Plan

Outcome from Assessment: **Possible**

The Tāmaki tenure mix, in the development plan is 33% state, 33% affordable and 33% market

- |                        |  |
|------------------------|--|
| <b>Main Advantages</b> | <ul style="list-style-type: none"><li>— Reduces public housing waitlist by increasing number of public homes delivered</li><li>— Improves housing outcomes for the wider community by increasing affordable housing</li><li>— Generate revenue from market housing, reducing the level of Crown funding required</li></ul> |
|------------------------|--|

- |                           |  |
|---------------------------|--|
| <b>Main Disadvantages</b> | <ul style="list-style-type: none"><li>— Doesn't take advantage of opportunities to increase market housing (therefore lower call on Crown funding sources)</li></ul> |
|---------------------------|--|

### +10% Public Housing and -10% Market

Outcome from Assessment: **Possible**

The Tāmaki tenure mix would be 43% state, 33% affordable and 23% market

- |                        |   |
|------------------------|---|
| <b>Main Advantages</b> | <ul style="list-style-type: none"><li>— Reduces public housing waitlist by increasing number of public homes delivered</li><li>— Retaining more land for public housing allows for the option of increasing development in the future</li></ul> |
|------------------------|---|

- |                           |  |
|---------------------------|--|
| <b>Main Disadvantages</b> | <ul style="list-style-type: none"><li>— Reduces revenue by increasing market housing (therefore lower call on Crown funding sources)</li></ul> |
|---------------------------|--|

### +10% Affordable and -10% Market

Outcome from Assessment: **Possible**

The Tāmaki tenure mix would be 33% state, 43% affordable and 23% market

- |                        |  |
|------------------------|--|
| <b>Main Advantages</b> | <ul style="list-style-type: none"><li>— Improves housing outcomes for wider community by increasing affordable housing</li></ul> |
|------------------------|--|

- |                           |   |
|---------------------------|---|
| <b>Main Disadvantages</b> | <ul style="list-style-type: none"><li>— Reduces revenue by decreasing market housing (therefore higher call on Crown funding sources)</li></ul> |
|---------------------------|---|

### +10% Market and -10% Public Housing

Outcome from Assessment: **Discounted**

The Tāmaki tenure mix would be 23% state, 33% affordable and 43% market

- |                        |  |
|------------------------|--|
| <b>Main Advantages</b> | <ul style="list-style-type: none"><li>— Greater revenue by increasing market housing and therefore lower call on Crown funding sources</li></ul> |
|------------------------|--|

- |                           |   |
|---------------------------|---|
| <b>Main Disadvantages</b> | <ul style="list-style-type: none"><li>— Increases public housing waitlist by decreasing the number of public homes delivered</li><li>— Creates risks to stakeholder, and community, relationships as reducing public housing is inconsistent with agreements reached with mana whenua and communities. This could impact Kāinga Ora's social licence to operate in the community.</li></ul> |
|---------------------------|---|

**+10% Affordable and -10% Public Housing****Outcome from Assessment: Discounted**

The Tāmaki tenure mix would be 23% state, 43% affordable and 33% market

**Main Advantages** — Improves housing outcomes for wider community by increasing affordable housing

**Main Disadvantages** — Increases public housing waitlist by decreasing the number of public homes delivered

**100% Public Housing****Outcome from Assessment: Discounted**

All homes developed would be TRC public housing; no affordable homes would be developed

**Main Advantages**

- Reduces public housing waitlist by increasing number of public homes delivered
- Retaining more land for public 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 public housing 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
- Impact on social license to operate if previous commitments are not upheld

**33% Public Housing and 67% TRC Affordable****Outcome from Assessment: Possible**

The Tāmaki tenure mix would be 33% public housing and 67% TRC affordable.

Changing the tenure mix in Tāmaki would meet TRC's priority over the next five years to deliver more public and affordable homes in Tāmaki. This would have cash flow impacts for TRC of delivering additional public and affordable homes (noting these are not in the scope of this business case).

**Main Advantages**

- Reduces public housing waitlist by increasing number of public homes delivered
- Increases housing outcomes for wider community by increasing affordable housing and provides greater housing opportunities for Māori and Pacific whanau

**Main Disadvantages**

- Reduces revenue by removing market housing (therefore higher call on Crown funding sources)
- Would require TRC's board, and Ministers, to allocate more funding and resources into affordable housing.

**Development Plan**

**Outcome from Assessment: Possible**

Neighbourhoods (and the stages within them) start as shown in the schedule in Appendix H

**Main Advantages**

- Aligns with TRC’s preferred timeline
- 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, significant impact on tenants and communities
- 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

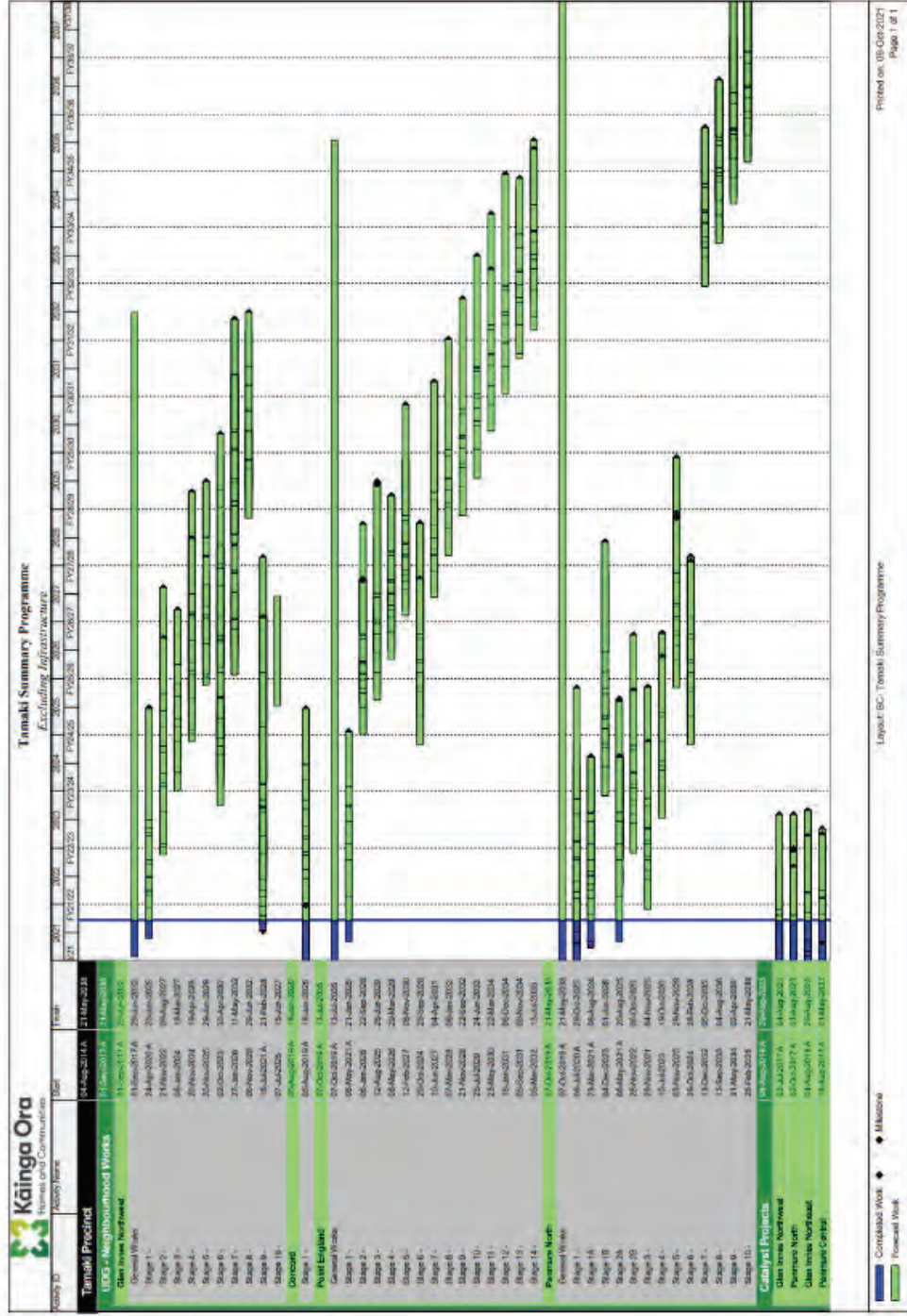
## Appendix G Long list assessment against the benefits

Benefits	1. Density		2. Tenure mix						3. Pace					
	1a Development Plan	1b + 5-10%	1c + 15%	2a Development Plan	2b +10% public housing and -10% market	2c +10% affordable and -10% market	2d +10% market and -10% public housing	2e +10% affordable and -10% public housing	2f 100% public housing	2g Public Housing & TRC affordable	3a Development Plan	3b Bring forward by 6 months	3c Bring forward by 12 months	3d Bring forward by 18 months
<b>Weighting</b>														
More people are moved into warm, dry, healthy, and safe public housing.	3	3	3	3	3	3	3	3	3	3	3	3	3	3
More affordable homes will be built.	3	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.	3	2	2	3	2	3	2	2	0	3	3	2	0	0
Cultural values and traditions are supported in an inclusive community.	3	2	2	3	3	3	3	3	2	3	3	2	0	0
Infrastructure is designed and built in a manner that reduces the potential environmental effects.	3	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.	3	3	3	3	3	3	3	3	3	3	3	3	3	3
<b>Overall Assessment</b>														
Benefits	3.00	2.67	2.67	3.00	2.83	3.00	2.83	2.83	2.33	3.00	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 Tāmaki 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 22 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.

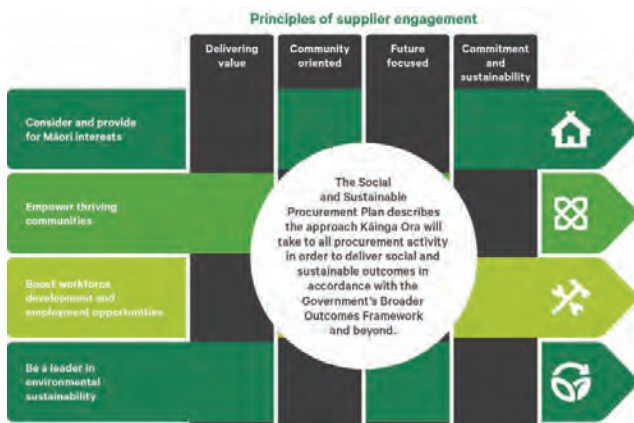
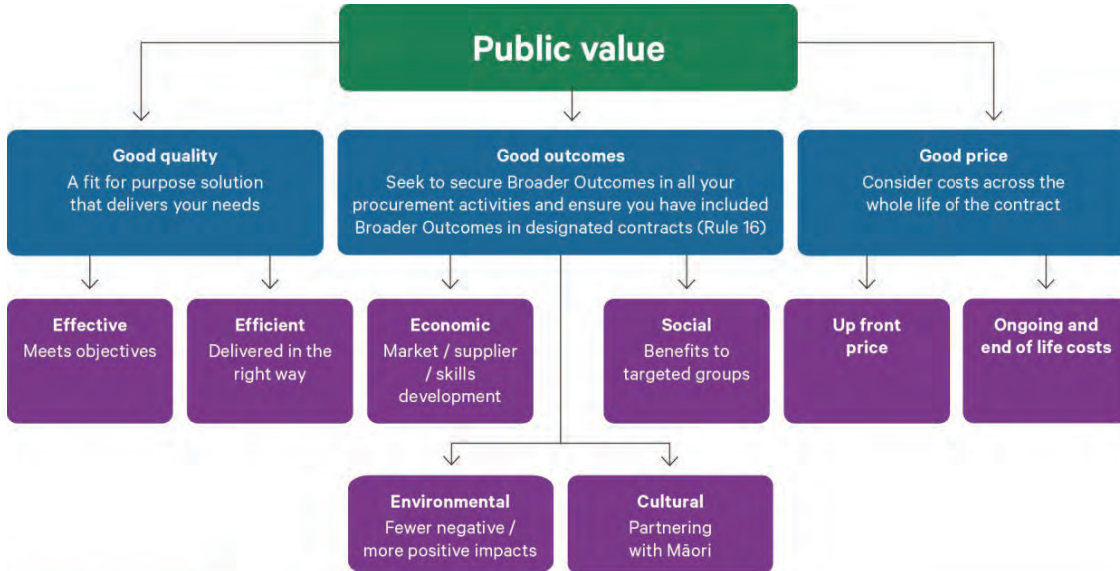


Figure 23 Broader outcomes framework interwoven with principles of supplier engagement.

<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 Tāmaki neighbourhood development 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
- Roading 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 Precinct Infrastructure Projects

Asset Type	Precinct Level Infrastructure	Shovel Ready Project	Projects to be funded - PBC	Contingency (15%)	Base Costs	Total
Transport	\$ 9(2)(i)					
Stormwater						
Wastewater						
Water Supply						
Park						
<b>Total</b>						

Asset Type	Project Title	Project Description	Neighbourhood of Benefit	Start of Design	Completion of Construction	Total Project Cost
Community	Ruapotaka Reserve Glen Innes Community Hall - renew community places facility	Programme: Community Places - TBC - Renew the community hall to encourage better use of the facility by the local community. Proposed interior works to include renewal of the flooring and fixtures in the main hall, drainage works in the toilet facilities, and interior painting. Proposed exterior works include lighting and signage. FY19/20 - investigate, scope and design works. FY20/21 - plan and deliver physical works. Risk Adjusted Programme (RAP) project. THIS PROJECT IS NOW COMPLETED	Glen Innes Central	17/01/2019	23/10/2020	-
Community	Ruapotaka Reserve Glen Innes Library - renew furniture, fixtures and equipment	Programme: Libraries - TBC - Renew furniture, fittings and equipment at Glen Innes Library. The renewal of this library was previously included in a bundled project in the FY18/19 work programme. Libraries included as part of the bundle have now been allocated funding on an individual basis. FY19/20 - investigate scope and design required works. FY21/22 - plan and deliver physical works. Risk Adjusted Programme (RAP) project.	Glen Innes Central	17/01/2019	10/12/2021	-
Park	Boundary Reserve East - development	Programme: Community Parks and Places - Development of park as part of the Tamaki Regeneration Plan including pathways. - Development of open space infrastructure to meet the demands of the new subdivisions in the area and population growth across the local network. This stage is to deliver Boundary	Panmure North	17/02/2021	8/02/2023	\$ 9(2)(i)



Stormwater	Johnson Reserve / Dunkirk Road culvert upgrade	Culvert upgrade at Johnson Reserve and Dunkirk Road near Alamein Road. Update: Still going through options work	Panmure North	5/10/2021	21/06/2024	S 9(2)(j)
Stormwater	WQ3.1 Johnson Reserve stream daylighting and erosion upgrade	WQ3.1 Stream daylighting for end of 600mm diameter pipe entering Johnson Reserve. Incorporate weir and high flow through existing pipe, including erosion protection measures.	Panmure North	5/10/2021	28/06/2024	
Stormwater	E2.2b Boundary Reserve (between Dunkirk Ave and Tripoli Road) erosion protection new	E2.2b Erosion protection for open stream between culverts under Dunkirk Ave (near Derna Tobruk) and Tripoli Road [Bank easing, meandering and install rip rap erosion protection, outlet protection and low flow weirs along the stream length designed for predicted future flows.]	Panmure North	5/10/2021	30/06/2023	
Stormwater	E2.3 Dunkirk Reserve erosion protection	E2.3 Erosion protection along stream in Dunkirk Reserve to prevent erosion near to wastewater pump station on north side of stream.	Panmure North	6/10/2021	16/06/2023	
Transport	Tripoli Road to Apirana Avenue upgrade to collector road	Tripoli Road to Apirana Avenue upgrade to collector road.	Panmure North	6/10/2021	3/07/2026	
Water Supply	Bridge St BSP to Pt England Rd water supply upgrade (South Tāmaki water supply upgrade)	New watermain extending 3000m Pt England Rd to the Bulk Supply Point near Panmure.	Multiple	11/10/2021	8/09/2023	
Water Supply	St Johns Reservoir to Elstree Ave water supply upgrade (Central Tāmaki water supply upgrade)	New watermain along Pt England Road from Elstree Ave to St Johns Reservoir.	Multiple	6/12/2021	8/02/2024	
Water Supply	Paddington Street / Farrington Street / Merfield Street water supply main new (North Tāmaki water supply security loop new)	New 250 mm watermain extending 1300 m along Paddington Street, Farrington Street, and Merfield Street.	Multiple	10/05/2022	28/11/2025	
Water Supply	Apirana Ave / St Heliers Bay Rd / St Johns Rd water supply upgrade (North Tāmaki water supply security loop upgrade)	New 300 mm pipe replacement extending 1600 m along Apirana Avenue, St Heliers Bay Road, and St Johns Road.	Multiple	10/05/2022	29/11/2024	
Wastewater	Glenn Inness Diversion to Eastern Interceptor Wastewater Project	An assessment of the effects of the development has been undertaken based upon: The wastewater precinct upgrade – wastewater diversion of the East View Road catchment to the Eastern Interceptor (EIN). Proposed WW diversion is a simple diversion to allow ultimate capacity within the EE development and provide wider capacity for the GINW neighbourhood and take load off downstream lines. Is a	Precinct-wide	8/07/2022	30/10/2024	



Stormwater	WQ2.5 Torino Reserve and Boundary Reserve (north arm) stream daylighting	WQ2.5 Stream daylighting (swale) through Torino Reserve and the northern arm of Boundary Reserve.	Panmure North	5/07/2024	29/06/2026	S 9(2)(f)
Wastewater	Pt England pump station and rising main upgrade	Increase capacity of existing pump station to service central Tāmaki intensification. Ties in with TK-GW-WW-008, with one project being the pump station and the other project for the rising main and associated local pipework upgrades.	Multiple	6/01/2025	1/11/2028	
Wastewater	Pt England pump station and rising main upgrade	Increase capacity of existing pump station to service central Tāmaki intensification.	Multiple	6/01/2025	1/11/2028	
Transport	Merton Road / Morrin Road intersection upgrade	Merton Road / Morrin Road intersection upgrade	Multiple	5/01/2026	1/12/2028	
<b>Total</b>						

**Appendix M Quantitative Risk Analysis (QRA)**

**Top 10 Precinct Risks**

The table below identifies the top 10 risks within the Tāmaki LSP and assigns a risk category and level to each risk.

Tamaki: Top 10 Risks - by contribution					
ID	Risk Title	Status	Owner	Current Risk Level	Project
3964	Kainga Ora share of Shovel Ready Projects servicing Tamaki exceeding approved Budget	Open	Adam Johnstone	Extreme: 25	Precinct
3726	Delays to agreeing outcomes with Tamaki Regeneration Company and Mana Whenua impacts planned outcomes and causing programme delays	Open	Priscilla Kingi	Extreme: 22	GI - Central
3952	Damage to existing roads from construction traffic and activities requiring remediation by Kainga Ora	Open	Adam Johnstone	High: 20	Precinct
3948	Existing waste water system is in poorer condition leading to additional costs incurred to upgrade to current specification	Open	Adam Johnstone	Extreme: 23	Precinct
3979	Unforeseen archeology discoveries leading to delays and additional costs	Open	Adam Johnstone	Extreme: 23	Precinct
3947	Existing storm water system is in poorer condition leading to additional costs incurred to upgrade to current specification	Open	Adam Johnstone	High: 20	Precinct
3949	Existing water supply system is in poorer condition leading to additional costs incurred to upgrade to current specification	Open	Adam Johnstone	High: 20	Precinct
2764	Covid-19 - Delays and increased costs	Open	Adam Johnstone	High: 16	Precinct
3957	Delays associated with Wastewater, Stormwater and Water Modelling	Open	Adam Johnstone	Moderate: 13	Precinct
3944	Unexpected ground conditions including in-ground contamination	Open	Adam Johnstone	Moderate: 13	Precinct

**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 \$4 million difference between the \$109 million contingency shown in the business case and the \$105 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.

Kāinga Ora Homes and Communities		Tamaki 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	\$ 955,773,059.00	\$ 7,714,788.00	\$ 10,759,718.00	\$ 32,379,550.00	\$ 59,940,561.00	\$ 64,505,740.00	\$ 70,275,746.00	\$ 76,623,413.00
Precinct Infrastructure	\$ 125,172,174.00	\$ 1,169,572.00	\$ 9,893,309.00	\$ 15,298,046.00	\$ 19,405,506.00	\$ 16,720,165.00	\$ 18,232,701.00	\$ 20,597,460.00
Other Precinct Costs	\$ 120,468,784.00	\$ 8,262,316.00	\$ 1,813,272.00	\$ 306,714.00	\$ 1,548,899.00	\$ 2,380,468.00	\$ 3,337,907.00	\$ 4,141,102.00
<b>TOTAL COST</b>	<b>\$ 1,111,414,027.00</b>	<b>\$ 821,044.00</b>	<b>\$ 48,832,766.00</b>	<b>\$ 66,183,310.00</b>	<b>\$ 76,902,966.00</b>	<b>\$ 83,606,374.00</b>	<b>\$ 91,846,444.00</b>	<b>\$ 103,861,975.00</b>
<b>INHERENT CONTINGENCY (Cost Only)</b>		<b>\$ 621,044.00</b>	<b>\$ 48,832,766.00</b>	<b>\$ 66,183,310.00</b>	<b>\$ 76,902,966.00</b>	<b>\$ 83,606,374.00</b>	<b>\$ 91,846,444.00</b>	<b>\$ 103,861,975.00</b>
DISCRETE RISK ANALYSIS (THREATS & OPPORTUNITIES)								
	P5	P50	P70	P80	P85	P90	P95	
Tamaki Risk Register Analysis (Threats & Opportunities)	\$ 26,753,952.00	\$ 56,656,727.00	\$ 63,245,277.00	\$ 67,395,798.00	\$ 69,937,292.00	\$ 73,073,127.00	\$ 77,768,495.00	
<b>TOTAL - PRECINCT</b>	<b>\$ 36,753,952.00</b>	<b>\$ 56,656,727.00</b>	<b>\$ 63,245,277.00</b>	<b>\$ 67,395,798.00</b>	<b>\$ 69,937,292.00</b>	<b>\$ 73,073,127.00</b>	<b>\$ 77,768,495.00</b>	
COMBINED								
	P50	P70	P80	P85	P90	P95		
Contingency Allocation (Inherent Assessment - Cost Only)	\$ 48,832,766.00	\$ 66,183,310.00	\$ 76,902,966.00	\$ 83,606,374.00	\$ 91,846,444.00	\$ 103,861,975.00		
Contingency Allocation (Threats & Opportunities)	\$ 56,656,727.00	\$ 63,245,277.00	\$ 67,395,798.00	\$ 69,937,292.00	\$ 73,073,127.00	\$ 77,768,495.00		
<b>TOTAL CONTINGENCY (INHERENT + DISCRETE)</b>	<b>\$ 105,488,482.00</b>	<b>\$ 129,428,587.00</b>	<b>\$ 144,298,764.00</b>	<b>\$ 153,543,666.00</b>	<b>\$ 164,919,571.00</b>	<b>\$ 181,630,470.00</b>		
PERCENTAGE OF BASE COST (Excludes Revenue)	9.6%	11.6%	13.0%	13.8%	14.8%	16.3%		
<b>CURRENT FORECAST CONTINGENCY</b>	<b>\$131,229,806.00</b>							
<b>UNPROVISIONED EXPOSURE</b>	<b>\$25,741,324</b>	<b>\$1,801,219</b>	<b>(\$13,068,958)</b>	<b>(\$22,313,860)</b>	<b>(\$33,689,765)</b>	<b>(\$50,400,664)</b>		
	P50	P70	P80	P85	P90	P95		

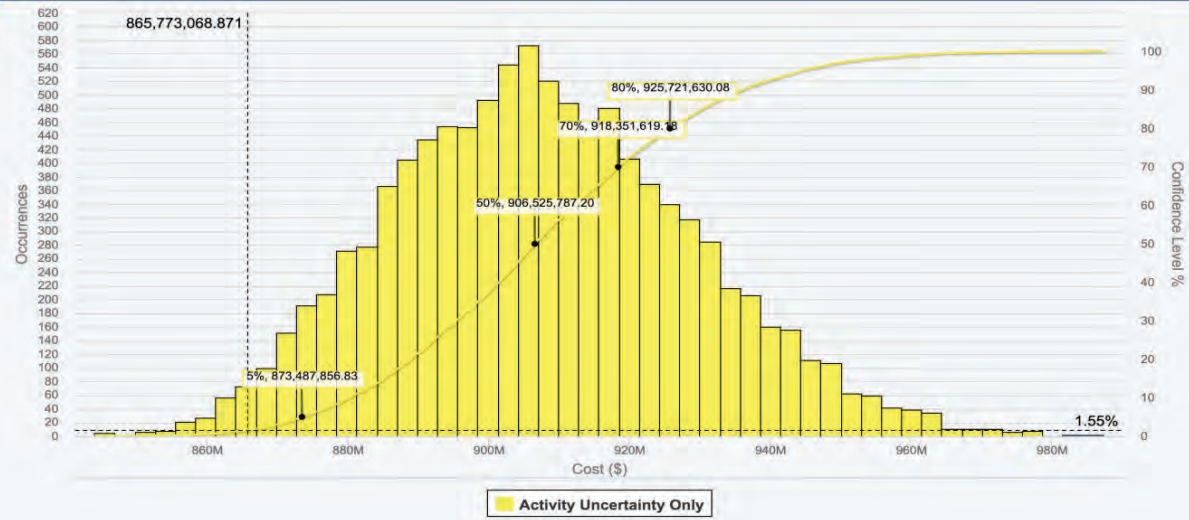
**Cost Risk Analysis**

The tables and figures below show the results of the inherent risk analysis of the different cost components.

DRAFT: FOR DISCUSSION  
 Analysis Charts for Land Development Cost Estimate

Run Details

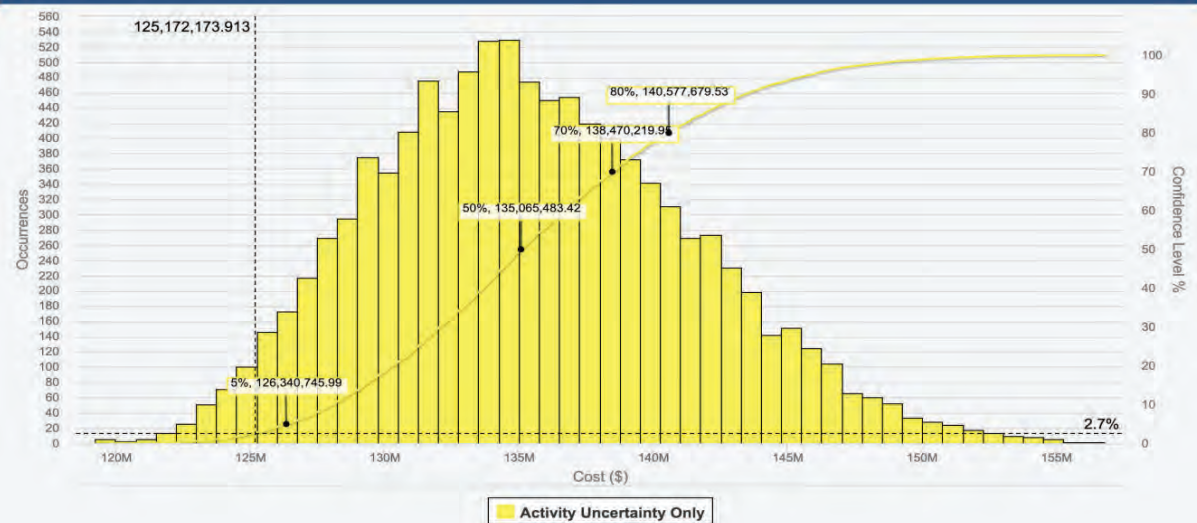
Options



Analysis Charts for Precinct Infrastructure

Run Details

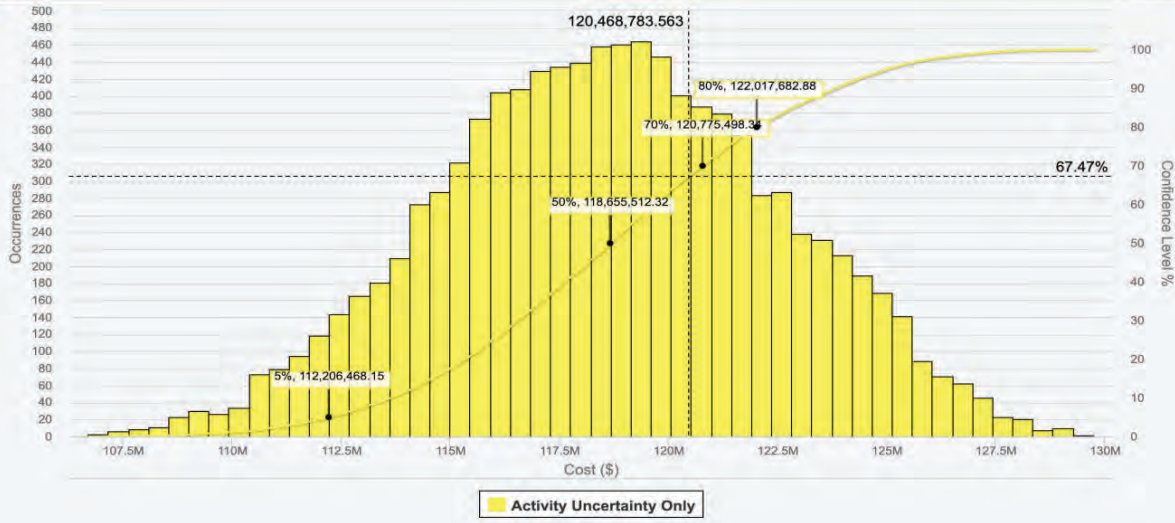
Options



DRAFT: FOR DISCUSSION  
Analysis Charts for Other Precinct Costs

Run Details

Options



**Appendix N**

**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.

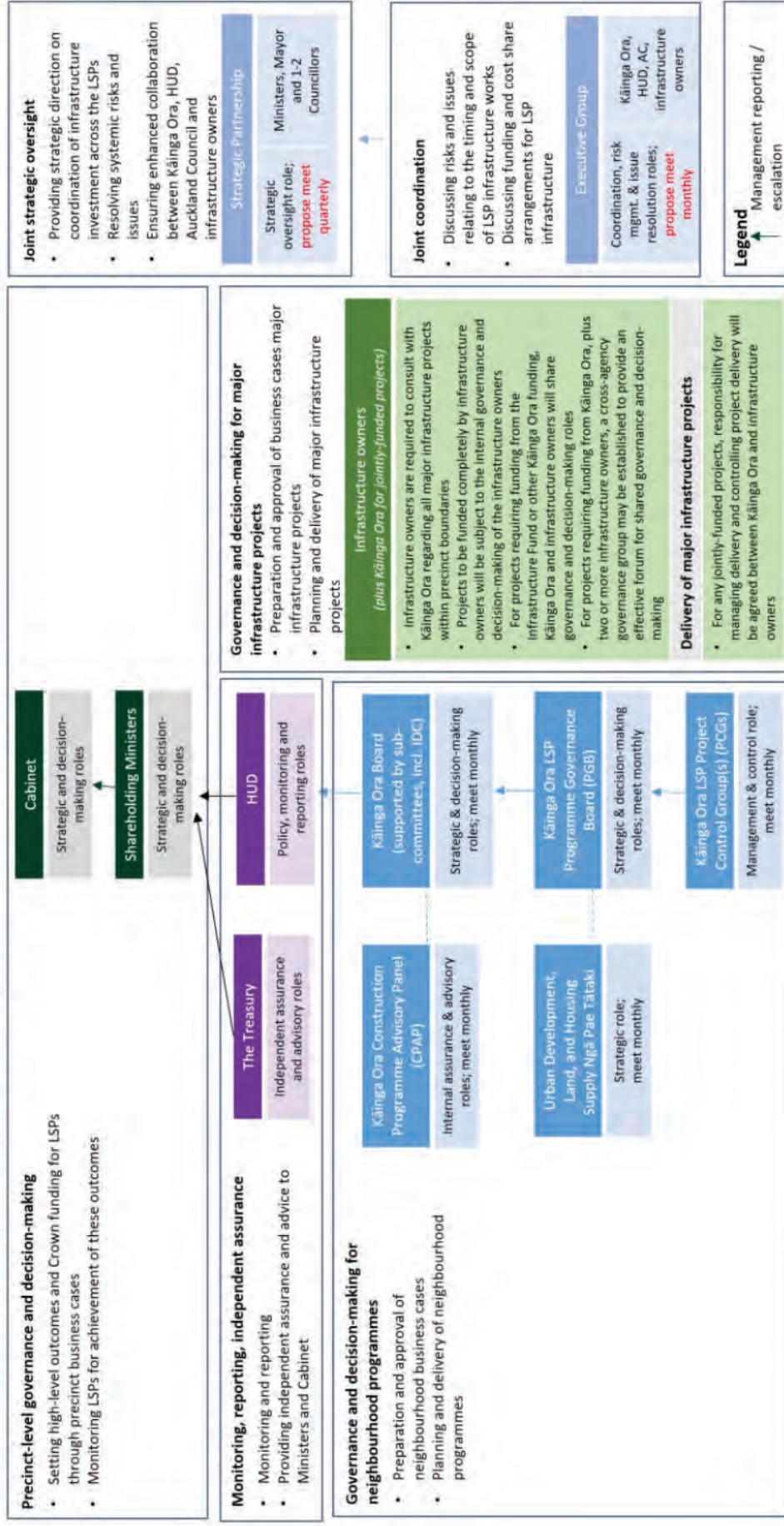


Figure 24: High level overview of LSP governance structure and relationships

## 2.1 Cabinet and Shareholding Ministers

### 6.1.2.2 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.

### 6.1.2.3 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

### 6.1.2.4 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

### 6.1.2.5 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.

### 6.1.2.6 Investment decision-making authority

Neither HUD nor the Treasury have any authority to make investment decisions with respect to LSPs.

### 6.1.2.7 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

#### 6.1.2.8 Role

The Kāinga Ora Board of Directors is wholly accountable for the delivery of LSPs in line with the precinct business cases.

#### 6.1.2.9 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.

#### 6.1.2.10 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

### 6.1.2.11 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.

### 6.1.2.12 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

#### 6.1.2.13 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

#### 6.1.2.14 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.

#### 6.1.2.15 Requirements for consultation

The strategic partnership group must be consulted on all neighbourhood programmes and major infrastructure projects requiring Ministerial consultation.

#### 6.1.2.16 Membership

Membership of the strategic partnership group is yet to be confirmed, but will likely include relevant Ministers and the Mayor.

#### 6.1.2.17 Meeting frequency

The committee is expected to meet once a quarter.

#### 6.1.2.18 Secretariat

Administrative support for the committee will be provided by HUD.

## 2.5.2 Executive Group

### 6.1.2.19 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.

### 6.1.2.20 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.

### 6.1.2.21 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.

### 6.1.2.22 Meeting frequency

The committee is expected to meet once a quarter at a minimum, or greater if deemed necessary by the committee.

### 6.1.2.23 Secretariat

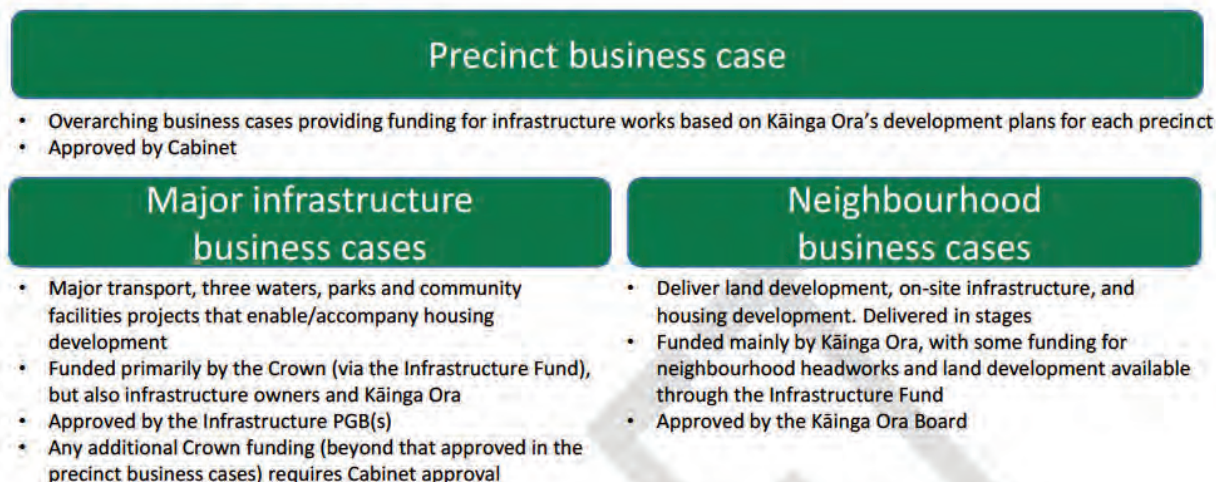
Administrative support for the committee will be provided by Kāinga Ora.

## 3. Business case framework and change control

### 3.1 Business case framework

The business case framework for LSPs is shown in Figure 25, and explained in more detail below.

Figure 25: 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.

#### 6.1.2.24 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.

#### 6.1.2.25 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.

#### 6.1.2.26 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 42.

**Table 42:** 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 43.

**Table 43:** 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 44. 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 44: 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 45 summarises what each funder requires in terms of the way funding commitments are managed.

**Table 45: 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 46 outlines responsibilities for managing risks and issues at the precinct-level, as well as for neighbourhood programmes and major infrastructure projects.

**Table 46:** 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 47:** 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

#### 6.1.2.27 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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### 6.1.2.28 Infrastructure Fund investment criteria

The Infrastructure Fund investment criteria are shown in the table below.<sup>14</sup>

Criteria	Key factors to be assessed
<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?	<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>
<b>Impact of funding (additionally) (20%)</b> – How critical is this funding to advancing the infrastructure and housing development?	<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>
<b>Cost and co-funding (20%)</b> – How cost effective is the proposal and is everyone paying their fair share?	<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>
<b>Capability and readiness (20%)</b> – If funding is approved, how certain is it that the project will advance, and at what pace?	<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 O Benefits management plan – Tāmaki LSP

Tāmaki Precinct Benefits Realisation



Kāinga Ora Outcome	Quality & Affordable Homes	Environmental Wellbeing	Partnering with Māori	Dignity and Independence	Sustainable Communities	System Transformation																																								
<p>Good quality, affordable housing choices meet diverse needs.</p> <p>Tāmaki has quality housing. Tāmaki housing reflects the needs of its community, it is accessible, of high quality, and is safe.</p> <p>Improved mix and type of good quality public, affordable, and market housing to help meet unmet demand for housing.</p>	<p>Environmental wellbeing is enhanced and preserved for future generations.</p> <p>Tāmaki is environmentally awesome! Tāmaki has natural resources which are protected and enhanced so that they can be enjoyed and utilised for generations to come.</p> <p>Homes in Tāmaki are resilient to environmental shocks.</p>	<p>Māori interests are protected and their needs and aspirations are met.</p> <p>Māori interests and taonga are identified and protected.</p> <p>Tāmaki partners uphold Te Tiriti O Waitangi: Tāmaki partners operate within the principles of Te Tiriti O Waitangi to create opportunities for mana whenua of Tāmaki and Māori communities to achieve their aspirations.</p>	<p>Customers feel safe in their homes and community.</p> <p>Tāmaki whānau have a strong Tāmaki identity: Tāmaki whānau feel connected to their communities, neighbourhoods, and each other.</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>Sustainable, inclusive and thriving communities support good access to jobs, amenities and services.</p> <p>Tāmaki has a thriving economy: Tāmaki enables the financial growth of its people, its businesses and provides opportunities for employment and entrepreneurship.</p> <p>Tāmaki has connected neighbourhoods: Tāmaki is interconnected and as such is easier, more affordable, and safer to get around.</p>	<p>System transformation is catalysed and delivered.</p> <p>Effective partnerships and innovation to support integrated housing and urban development.</p> <p>Tāmaki partners engage in systems thinking: Tāmaki partners utilise the resources, capacity, and capability of its components to maximise the benefit to whānau.</p>	<p>Improved access to Affordable homes</p> <p>Market homes are Affordable</p> <p>50%</p> <p>Improved land utilisation and increased provision of build-ready land</p> <p>Actual: 18 Ha Target: 25 Ha</p> <p>Hectares of land remediated</p> <p>Planned housing portfolio mix achieved</p> <table border="1"> <tr> <td>100%</td> <td>43%</td> <td>33%</td> <td>33%</td> </tr> <tr> <td>Actual</td> <td>Target</td> <td>Actual</td> <td>Target</td> </tr> <tr> <td>100%</td> <td>57%</td> <td>33%</td> <td>33%</td> </tr> <tr> <td>Actual</td> <td>Target</td> <td>Actual</td> <td>Target</td> </tr> <tr> <td>100%</td> <td>1,518</td> <td>33%</td> <td>33%</td> </tr> <tr> <td>Actual</td> <td>Market Target</td> <td>Actual</td> <td>Target</td> </tr> <tr> <td>100%</td> <td>1,573</td> <td>33%</td> <td>33%</td> </tr> <tr> <td>Actual</td> <td>Affordable Target</td> <td>Actual</td> <td>Target</td> </tr> <tr> <td>100%</td> <td>1,549</td> <td>33%</td> <td>33%</td> </tr> <tr> <td>Actual</td> <td>Stake Target</td> <td>Actual</td> <td>Target</td> </tr> </table> <p>New and improved infrastructure to allow for future development</p> <ul style="list-style-type: none"> <li>4640 homes enabled in development</li> <li>XX number of homes enabled in wider precinct area</li> </ul> <p>Improved bedroom typology mix</p>	100%	43%	33%	33%	Actual	Target	Actual	Target	100%	57%	33%	33%	Actual	Target	Actual	Target	100%	1,518	33%	33%	Actual	Market Target	Actual	Target	100%	1,573	33%	33%	Actual	Affordable Target	Actual	Target	100%	1,549	33%	33%	Actual	Stake Target	Actual	Target
100%	43%	33%	33%																																											
Actual	Target	Actual	Target																																											
100%	57%	33%	33%																																											
Actual	Target	Actual	Target																																											
100%	1,518	33%	33%																																											
Actual	Market Target	Actual	Target																																											
100%	1,573	33%	33%																																											
Actual	Affordable Target	Actual	Target																																											
100%	1,549	33%	33%																																											
Actual	Stake Target	Actual	Target																																											
<p>Development responds to the Nga Pou Tikanga from the Precinct SDS</p> <p>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 Tāmaki Neighbourhood Plan</p> <p>Sustainability Initiatives</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>100% of neighbourhood designs meet the Neighbourhood Framework</li> <li>100% of public homes delivered to sustainability requirements in TRC Housing Design Guidelines</li> </ul> <p>New homes built to modern standard</p> <table border="1"> <tr> <td>6</td> <td>331</td> <td>331</td> </tr> <tr> <td>Homeless</td> <td>Actual</td> <td>Target</td> </tr> </table> <p>Flood risk evaluation</p> <p>Target: 4,640 homes enabled by the Stormwater Management Plans</p> <p>Reduced waste by construction activities</p> <p>Demolition Waste Targets:</p> <ul style="list-style-type: none"> <li>50% Reduction from BAU</li> <li>85% diversion from landfill</li> </ul> <p>Construction Waste Targets:</p> <ul style="list-style-type: none"> <li>50% reuse within development area</li> <li>3% reduction on baseline</li> </ul>	6	331	331	Homeless	Actual	Target	<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>Financial Independence</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>800 people in Tāmaki are employed through TRC initiatives</li> <li>70% of people in Tāmaki are employed through TRC initiatives that identify as Māori or Pasifika</li> </ul> <p>Accessibility and mobility features</p> <p>15%</p> <p>Target for all homes</p> <p>Skills training support for the community facilitated</p> <p>Target: 60 people in Tāmaki are supported into apprenticeships, cadetships, or internships through TRC initiatives</p> <p>Kāinga Ora homes meet universal design standards and CPTED</p> <p>Principals</p> <p>Target:</p> <ul style="list-style-type: none"> <li>All homes constructed meet Full Universal Design (FUD)</li> <li>Masterplan incorporates CPTED Principles in Neighbourhood design</li> </ul> <p>4,640 homes enabled</p>	<p>Sense of belonging &amp; connection</p> <p>Target: 70% survey satisfaction</p> <p>Regular surveys of public housing whānau for overall satisfaction. Annual target is for 2022.</p> <p>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>Tāmaki entrepreneurship, social good &amp; local employment grows and thrives</p> <p>Targets are being discussed with TRC</p> <p>New/upgraded social spaces and infrastructure facilities for customers</p> <ul style="list-style-type: none"> <li>Tanwha Reserve</li> <li>Eastview Reserve</li> <li>Boundary Reserve</li> <li>Johnson Reserve</li> <li>Auckland Council</li> </ul> <p>Ensure connectivity and easy access to social spaces / amenities</p> <ul style="list-style-type: none"> <li>Transport and connectivity upgrades</li> </ul> <p>Target: 50% reduction in vehicle kms travelled</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 2 multi-generational housing pilots</li> </ul> <p>Tāmaki partners have a shared purpose to achieve systemic change</p> <p>Partnerships and collaboration are initiated and facilitated</p> <p>Targets are being discussed with TRC</p>	<p>Notes:</p> <ul style="list-style-type: none"> <li>Data in this dashboard is sourced from the following neighbourhoods: Pt England, Penmore North, Concord, Catalyst and Glen Innes Northwest</li> <li>Targets are for June 2025</li> </ul>																																			
6	331	331																																												
Homeless	Actual	Target																																												