



BRIEFING

Urban development legislation – Providing the Urban Development and Transport Agency with Crown land for development

Date:	11 April 2018	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2239 17-18

Action sought		
	Action sought	Deadline
Hon Phil Twyford Minister of Housing and Urban Development	Agree to the recommendations	27 April 2018
Hon Jenny Salesa Associate Minister of Housing and Urban Development	For your information	N/A

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
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The following departments/agencies have been consulted
HNZ, Treasury, MSD, LINZ, SSC, NZTA, MOT

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



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Purpose

This briefing covers three categories of Crown land which will be used by the Urban Development and Transport Agency (UDATA): core Crown land, land held by Crown agents, and land held by Housing New Zealand Corporation (HNZ).

The briefing seeks your agreement to the proposed process for setting apart core Crown land for the UDATA. This process will be incorporated into the Cabinet papers to establish the UDATA and its governing legislation.

This briefing also outlines options for providing the UDATA with land currently held by HNZ. The best option will depend on decisions around the UDATA's entity form and which existing Crown entity (or entities) becomes the UDATA.

Executive summary

The most important source of land for large-scale urban development projects in existing urban areas will be public land that is currently held by other parts of the Crown, especially HNZ.

This briefing outlines a mechanism to provide the UDATA with land held by the core Crown (land held in the name of Her Majesty the Queen). Under the proposed process, Cabinet would decide which core Crown land to repurpose for the UDATA at the point it is asked to agree to a development project's area and strategic objectives.

For land held by Crown agents (the type of Crown entity closest to government), you have agreed to introduce a modified acquisition process under the Public Works Act 1981 (PWA). Under this process, a Crown agent will not have the right to object to the Environment Court against the acquisition of its land. This will provide a more streamlined acquisition process.

Because of the volume of HNZ land likely to fall within scope of certain development projects (particularly those projects the Government is likely to target first), we do not consider the PWA process to be the best solution to provide the UDATA with HNZ land.

This briefing outlines four options for providing a development project with HNZ land. The first two options are mechanisms for transferring the land from HNZ to the UDATA on a project-by-project basis. These mechanisms have likely adverse consequences, including impacting the pace of HNZ developments already underway, duplicating capability between agencies, and implications for HNZ's borrowing ability.

The second two options are organisational structures which would mean the UDATA could access HNZ land for development without having to transfer it between agencies. These options are to have HNZ's development function (or HNZ itself) become the UDATA, or for HNZ to develop its own land within a development project via a special purpose vehicle (SPV). The latter option (establish an SPV) would undermine the UDATA's ability to be a powerful delivery organisation as HNZ would continue to own the land and be the lead developer.

The best model for providing HNZ land will depend on Ministers' decisions around the UDATA's entity form and which existing Crown entity (or entities) becomes the UDATA. For this reason, we recommend that you direct us to work with the State Services Commission to ensure that advice around the form of the UDATA entity takes land acquisition into consideration.

Recommended action

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

- a) **Agree** to the following process for repurposing core Crown land for a UDATA development project:
- when Cabinet is asked to agree to a development project's area and strategic objectives, it also decides which core Crown land will be set apart for that project;
 - the repurposing is given effect by the Minister for Land Information, who has an administrative function under section 52 of the Public Works Act 1981 to declare any land held for one public work to be set apart for a different public work;
 - the terms of the setting apart, including the price, are agreed by the Minister responsible for the new legislation, the Minister of Finance, and the Minister responsible for the portfolio whose land would be transferred; and
 - when agreeing the price, the objective be to identify the fair market value of the land

Agree / Disagree

- b) **Note** that the best model for providing the UDATA with HNZ land for development will depend on decisions around the UDATA's entity form and which existing Crown entity (or entities) becomes the UDATA
- c) **Note** that the State Services Commission (SSC) is providing you with advice on the UDATA entity form and origin (i.e. which entity becomes the UDATA)
- d) **Note** that, while Ministers will make their decisions based on a number of factors, we consider that ensuring the UDATA has access to HNZ land for development is an important criterion, given the material role that this land will play in urban development projects in existing urban areas
- e) **Direct** officials from MBIE, HNZ, MSD and Treasury to work with SSC to ensure that the UDATA entity form and origin consider the ability for the UDATA to effectively access HNZ land for development and take into account implications for public housing, including MSD's purchasing role

Agree/Disagree

- f) **Forward** this paper to the Ministers for the Environment, Land Information and Finance for their information

Agree/Disagree



Di Anorpong
Manager, Construction and Housing Policy
Housing and Urban Branch, MBIE

11 / 4 / 18

Hon Phil Twyford
Minister of Housing and Urban Development

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Background

1. We previously provided you with advice that highlighted the land implications of establishing the UDATA as a powerful delivery organisation (*Urban development legislation – Organisational issues* 1022 17-18). In response to that briefing, you asked officials to assess the options for transferring Crown land to the UDATA and to identify the issues that would arise.
2. In order for the UDATA to function as a delivery organisation, it will need to own sufficient land in each project area.
3. In existing urban areas, the cost of acquiring land from private owners would limit the UDATA's ability to work at scale from that source alone. This means the most important source of land for large-scale development projects will be public land that is currently held by other parts of the Crown and operated by different agencies. Public land is the foundation and catalyst for most urban development projects overseas, and the principal source of capital with which projects are established.
4. The main issue addressed in this briefing is how to provide the UDATA with available public land, and the implications that transferring it raises for the departments and Crown entities that currently hold it.
5. The most appropriate mechanism will depend on the type of Crown entity that owns the land. There are two types of Crown land that may have potential for a development project:
 - A. core Crown land held in the name of Her Majesty the Queen, which will be held for a particular purpose (such as for education, road or health purposes), but which may be available for development in certain cases; and
 - B. land held by Crown entities, such as land held by Housing New Zealand Corporation (HNZ) and district health boards.
6. This briefing covers both types of land. It seeks your agreement to recommendations on core Crown land that will be included in the Cabinet papers seeking authority to issue drafting instructions for the proposed urban development legislation. The briefing also covers land held by Crown entities, focussing in particular on options for providing the UDATA with HNZ land for development. The best option will depend on the entity form and which current Crown entity (or entities) becomes the UDATA.

Core Crown land

7. Core Crown land is not subject to compulsory acquisition, because the Crown cannot take land from itself. Instead, if one part of the core Crown wants to purchase the land off another part of the core Crown, this land is 'repurposed' from one government work (e.g. education) to another (e.g. housing).
8. Under the status quo, this repurposing is given effect by the Minister for Land Information, who has an administrative power under section 52 of the Public Works Act 1981 (PWA) to declare any land held for one public work to be set apart for a different public work. In practice, LINZ generally makes the decision on setting apart under delegation. This power is not subject to the PWA provisions that apply to acquisitions.

How to set apart core Crown land for the UDATA?

9. We recommend that the decision on which core Crown land in a development project to set apart to the UDATA be made by Cabinet when it is asked to agree to the project's area and strategic objectives. At this point, Cabinet would consider what the best use of the land is from a whole-of-government perspective.

10. LINZ advises that the existing process for setting apart core Crown land will be appropriate for the UDATA. This means that the UDATA legislation will not need to provide new or additional powers to give effect to Cabinet's decision on which core Crown land to set apart. The land would be set apart for 'urban development purposes'.

On what terms should the land be set apart?

11. We suggest that the new legislation provide for how the terms of the setting apart are agreed, including the price. Land and asset transfers should occur at market prices to avoid the potential for pricing to be distorted.
12. Rather than leave the matter for negotiation between the two agencies involved, we suggest that the terms of transfer be determined by agreement between the Minister of Finance, the Minister responsible for the new legislation and the Minister responsible for the portfolio whose land would be set apart. We suggest that the overarching aim be for the land to be transferred within the Crown at fair market value. Treasury notes that having Ministers agree the terms of transfer would override the accountabilities of entity chief executives.

Issues

13. The main issue is the risk that land still needed for another public purpose is set apart to the UDATA for development. The check against that risk is the requirement for Cabinet to decide what the best use of public land is. That will ensure that the views of the Minister responsible for the portfolio whose land would be set apart can represent the interests of the department or agency that currently holds it.

Crown entities' land

14. First, we consider how the UDATA could acquire land owned by Crown entities in general that may have potential for development. Then we consider the more particular issues that arise for HNZ's land.

Land belonging to Crown entities can be acquired under the PWA

15. You have already agreed that the new legislation will enable the UDATA to apply to the Minister for Land Information to compulsorily acquire land on its behalf (1297 17-18). This will include the ability to take land owned by Crown entities (which hold land in their own right).
16. In addition, you have agreed to remove the right for Crown agents (the type of Crown entity which is closest to government) to object to the Environment Court on the acquisition of their land. This will provide a faster acquisition process and will reduce uncertainty, thereby accelerating the development of a project.
17. We think these powers are sufficient in the case of land held by Crown entities other than HNZ. Most Crown entities do not own large amounts of urban land, and what land they do own is usually being used for a particular purpose and so won't be available for development. As the exceptions can be dealt with on a discrete basis, we consider that the proposed powers of compulsory acquisition will be sufficient to deal with situations where agreement cannot be easily reached with the Crown entity.

HNZ land

18. In contrast, given its substantial landholdings in urban areas, there is a case for developing a different process for acquiring land from HNZ. HNZ holds around 20,000 land parcels in Auckland alone, comprising over 1,000 hectares. The scale and location of these landholdings mean that, for most development projects in existing urban areas to be successful, HNZ land in a project area will need to play a material role in the development.

19. It is worth noting that HNZ properties are generally not vacant land. Instead each land parcel has one or more houses with tenants, some of whom may have lived on the property or in the community for many years. Accordingly, the acquisition of HNZ land needs to consider the impact on the people and communities who currently live on this land.
20. You also have an ambitious target for increasing the supply of public housing. HNZ is expected to provide at least 70 percent of the additional housing to be purchased/funded by the Ministry of Social Development (MSD). MSD is responsible for determining future public housing needs and contracting providers (including HNZ) to meet those needs. HNZ is also a provider of transitional housing, and housing for Housing First.
21. MSD believes that implications for your public housing objectives and reducing homelessness need to be considered alongside and balanced against your urban development objectives.

Providing the UDATA with HNZ properties for development

22. The compulsory acquisition process, while streamlined for Crown agents, would still need to be applied to each HNZ property separately, requiring separate consideration by the Minister for Land Information in those cases where compulsory acquisition is required.
23. Thus, we consider that the scale of HNZ land likely to be involved within a project area means that a more efficient transfer mechanism will likely be needed to avoid unduly slowing the pace of development. Alternatively, the UDATA could be provided with HNZ land via an organisational arrangement.
24. This section explores these options and their implications. First it outlines two legislative mechanisms for *transferring* land to the UDATA. These two options assume that HNZ does not become the UDATA. Then it outlines two organisational arrangements which could *provide* the UDATA with land without having to directly transfer the land.
25. The best option for providing the UDATA with HNZ land will depend on Ministers' decisions on the UDATA's entity form and which current Crown entity (or entities) becomes the UDATA. We understand that the State Services Commission (SSC) is providing you with advice on these topics. For this reason, the briefing does not seek your decision on acquiring HNZ land at this point.

Options for transferring HNZ land to the UDATA

Option 1: HNZ land within the project area is transferred to the UDATA at the point Cabinet agrees the development project area and strategic objectives

26. Option 1 is to provide an automatic trigger in the urban development legislation for the transfer of suitable HNZ land in a development project area. This would come into effect once Cabinet has agreed to the development project area and strategic objectives, meaning that the land would be transferred at this point (likely tied to the Order-in-Council or Gazette notice).
27. While the default option would be to transfer all HNZ land in the project area, the Minister responsible for the legislation could specifically exclude some land from transfer, on the advice of HNZ or the UDATA (e.g. where new housing has recently been constructed or redevelopment is already underway).
28. Treasury notes that, under this option, Ministers would be overriding the powers of an independent entity (HNZ and its Board).

29. This option would provide the fastest and most efficient transfer mechanism, and would be well suited to the scale of the UDATA's land requirements. It would mean that there would be no assessment of the merits of the UDATA acquiring each separate parcel of land, except where HNZ seeks to exclude specific parcels from being transferred. It would also enable the UDATA to know with certainty which HNZ land is available for development within the project area, which can better inform the preparation of the development plan.
30. The Housing Restructuring and Tenancy Matters Act 1992 (HRTM) provides a model for how such a mechanism could operate. The HRTM enables public housing to be vested in HNZ by Order in Council (whereas the new legislation would seek to have the properties vested in the UDATA).
31. The legislation to establish the UDATA and specify its powers could mirror the provisions of the HRTM. It would also set parameters for the ability to transfer assets – for example, that asset transfers should occur at fair market value.
32. Once development projects are completed, public housing within these developments could be transferred back to HNZ at fair market value, or retained by the UDATA, with the option of HNZ remaining as tenancy manager. The latter option would have implications for MSD's role in purchasing public housing.

Option 2: Transfer HNZ land under Part 5A of the Housing Corporation Act 1974 or some similar mechanism

33. Option 2 is to use the provisions set out in Part 5A of the Housing Corporation Act 1974 (HCA), or similar provisions in the new legislation. Part 5A provides Ministers with discretion to undertake transfers of HNZ land on behalf of HNZ.
34. Currently, the transfer must be for one of the "social housing objectives" specified in the HCA. These are not entirely fit for purpose, but could be amended to provide more specifically for transfers to the UDATA. Alternatively, new provisions that are fit for purpose could be enacted.
35. Subject to some refinement, the mechanism in Part 5A of the HCA provides a ready means for transferring HNZ properties. It also offers an alternative to acquiring land under the PWA.
36. As with option 1, public housing within these developments could be transferred back to HNZ once the development is completed.
37. This approach would mean that a further decision would be required. Rather than tying the transfer to the decision to establish the development project, Ministers would consider the land transfer separately and potentially at a later point in time. This introduces greater uncertainty for the UDATA and could delay the point when it will know what land it has available for development. On the other hand, this further decision step may be appropriate given that Ministers would effectively be acting instead of the HNZ Board, which would be unusual for a Crown entity.
38. We understand that you are considering amendments to Part 5A of the HCA. The scope of these amendments is interdependent with the mechanism selected to provide the UDATA with HNZ land for development.

Challenges of both transfer mechanisms

39. Whichever model is selected for transferring HNZ land to the UDATA, there are potential challenges to consider. Some of these challenges (e.g. implications for development) will depend on when the changes for HNZ land come into effect. Further detail on the challenges is provided in Annex 1, along with a case study which illustrates the scale of HNZ land implicated by a proposed development.

- **Implications for development.** HNZ is in the process of redeveloping many of its properties as part of business-as-usual practice, as well as through the Auckland (and regional) Housing Programme/s. If these properties are transferred to the UDATA and the UDATA does not continue with the developments, then HNZ work to-date would be wasted and the houses would take longer to deliver compared to if they had remained with HNZ. If the UDATA does continue some HNZ developments, there may be difficulties in transferring the plans and associated institutional knowledge, slowing the pace of development. Depending on which HNZ properties are transferred, the transfer may have implications for HNZ's ability to deliver the target of 1,600 additional public houses each year.
- **Duplicated capability.** HNZ and the UDATA would both have a housing development function. Maintaining similar capability in both agencies would be inefficient, particularly given that HNZ is already seeking to recruit skilled staff. In addition, duplication would mean that government's overall development capability would be split between two agencies, reducing each agency's ability to benefit from scale in procuring construction and development. Both agencies' roles would have to be clarified with respect to MSD, which contracts with HNZ to provide places and is responsible for decision-making on what public housing it wishes to purchase.
- **Debt implications.** Transferring HNZ properties to the UDATA would decrease HNZ's property portfolio, resulting in a lower level of rental cash flows to service debt and a smaller asset base over which debt could be secured. This could restrict its ability to borrow to fund its renewal programme and new housing development. Higher borrowing costs would increase the cost of new homes HNZ is building. This would impact MSD, which would need additional funding if new HNZ public houses cost more. On the other hand, the transfers would enhance the UDATA's ability to borrow to fund development.
- **Tenancy and property management implications:**
 - *If HNZ retains tenancy management*, there may be difficulties in sequencing the relocation of tenants with the development of new housing, impacting tenants' security of tenure. Splitting ownership and tenancy management functions risks misalignment of maintenance, upgrade and redevelopment decisions. For example, HNZ may waste upgrade capital on assets that end up being redeveloped by the UDATA. In addition, it would be more difficult for HNZ to ensure that the process of development and the resulting properties reflect its longer-term ownership needs.
 - *If the UDATA takes over tenancy management* for HNZ tenants within project areas, it will need to develop this capability, which will take time to build. It will be critical to ensure a smooth transition for tenants to new arrangements when properties are redeveloped – public housing tenants often have high needs, meaning that this is likely to be a complex process. This option would result in further duplication of functions between agencies. There would be operational implications for MSD, as well as funding and contracting issues.
- **Administrative burden of land transfers.** Project-by-project land transfers would create a significant administrative burden if titles needed to be transferred individually through the Land Information New Zealand e-dealing system. HNZ experience with the Tāmaki and Tauranga transfers suggests that it takes significant time to transfer even a few hundred houses, requiring considerable due diligence and clean-up work (e.g. removing restrictive covenants).

- **Decreased ability for HNZ to make trade-offs** across its portfolio of properties, impacting its financial management and investment planning. Having HNZ purchase public housing from wider UDATA-led developments would reduce HNZ's ability to reduce supply costs through scale, and would add transaction costs and risks compared to HNZ driving the construction of public housing.
- **Treaty implications.** Land can generally be transferred between Crown bodies without triggering the Right of First Refusal (RFR) obligations (provided the land is still used for a public purpose). However, at the point that the UDATA (or a developer who carries out the development) wishes to sell the completed houses, any RFRs over the land may be triggered. In contrast, some HNZ-owned land has exemptions from RFRs. The Minister for Crown/Māori Relations has forwarded you advice from the Ministry of Justice on the interface between the UDATA and RFRs (DTS-09-02).

40. While HNZ land is likely to form the foundation of many urban development project areas, transferring this land to the UDATA would generate a number of challenges. Overall the challenges have the potential to delay, complicate or otherwise inhibit the UDATA in undertaking development projects which include HNZ land.
41. Given the magnitude of issues outlined, MBIE and HNZ officials believe it is worth considering other models for providing the UDATA with the HNZ land it needs for development. Two such models are outlined in the following section.

Organisational models to provide the UDATA with HNZ land for development

42. Options 3 and 4 are organisational structures which would enable the UDATA to access HNZ land for development without having to *transfer* the land between agencies.

Option 3: HNZ's development function (or HNZ itself) becomes the UDATA

43. Option 3 is to have HNZ's development function (or HNZ itself) become the UDATA. This option would mean that HNZ land would not have to be transferred between agencies, thereby avoiding most of the challenges highlighted in paragraph 39.
44. This option would avoid duplication of development functions and capability between HNZ and the UDATA. The combined agency would provide greater alignment of public housing and private housing construction across New Zealand, and would benefit from economies of scale in procuring construction and development. On the other hand, there is a risk that the UDATA focuses more on housing than broader urban development.
45. Having HNZ's development function become the UDATA would mean that HNZ developments already underway would likely be able to continue at their current pace. It would also mean that the UDATA would build on existing capability in housing development, particularly given HNZ's role in the Auckland Housing Programme. In addition, some land owned by HNZ has exemptions from RFRs (meaning that the UDATA would not have to consider how to address RFRs on this land developed by HNZ).
46. If HNZ itself became the UDATA, HNZ's current tenancy management functions (i.e. its People and Property group) could either be retained in the UDATA, or could be shifted to a separate entity. If tenancy management was separated out, this would increase fragmentation of government's housing functions.

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

Option 4: HNZ develops its own land and participates via project vehicles

48. Option 4 is to leave HNZ to develop its own land within an urban development project area. This would be achieved by creating a special purpose vehicle (SPV) for each development project. HNZ would then participate in the project via the SPV. SPVs are legal entities created to fulfil specific objectives – such as establishing and carrying out a development project.
49. The SPV governing board would have representation from entities with interests in the urban development project, including HNZ, the UDATA, and other agencies as appropriate.
50. The agreement establishing the SPV would specify each entity's contribution to the development project, respective roles in decision-making, and ownership of properties and capital deriving from sale of land to developers or to home-buyers. The terms of the agreement would be agreed between representatives of the governing boards or CEs of the entities.
51. Through this SPV, HNZ could contribute its land in a project area to a development project, while still retaining ownership. Under the terms of the SPV agreement, HNZ would apply to the UDATA to authorise the more enabling development powers in the new legislation. This would mean that the development project, rather than the UDATA itself, would have access to HNZ land for development, while avoiding most of the negative impacts of transferring land from HNZ. However, if HNZ and the UDATA disagree about the development of HNZ's land, there is a risk this would lead to a lack of coordination and alignment that undermines the residential housing objectives of the development project.
52. This option would provide a smoother experience for HNZ tenants, as HNZ would be able to influence the development plan. It would enable HNZ to proceed with developments already underway (provided they align with the UDATA's development plan).
53. However, this option would not address the duplicated development functions between HNZ and the UDATA. It may also be difficult for the UDATA to raise private debt to support private land purchases and development, as it would have fewer assets as security.
54. Importantly, option 4 would undermine the objective of establishing the UDATA as a powerful development agency, because it would not own or directly control the HNZ land to be developed. As noted previously, land ownership is one of the key tools that will enable the UDATA to successfully progress urban development projects. Early experience with the Tamaki Redevelopment Company showed that a development agency can struggle if it does not own the land the houses will be built on. Given the volume of HNZ land likely to be involved in brownfield developments, this option is likely to lead the UDATA to play largely an authorising role in these development projects, rather than a lead developer role.
55. In addition, having multiple agencies responsible for a development project (via the SPV's governing board) could reduce the ability of the UDATA to achieve its development outcomes, due to the involvement of other agencies with separate interests and objectives.

Discussion

56. This section outlined four options for providing the UDATA with HNZ land for development. As noted, the two legislative transfer mechanisms (options 1 and 2) have a number of potential difficulties, which the two organisational models (options 3 and 4) would largely avoid. On the other hand, option 4 would undermine the UDATA's ability to be a powerful delivery organisation, which would be a considerable trade-off.

57. Table 1 below compares the options from a decision-making perspective.

Table 1: Comparison of options for providing the UDATA with HNZ land

	Status quo – Land set apart under the PWA	Option 1 – Land transferred when Cabinet decides	Option 2 – Transfer under Housing Corporation Act	Option 3 – HNZ's development function (or HNZ itself) becomes UDATA	Option 4 – Establish SPV (with HNZ retaining land ownership)
Decisions on land	Separate decision on each parcel of land	Project-by-project transfer	Project-by-project transfer	UDATA holds all HNZ land	Project-by-project transfer
Decision maker for transferring/providing HNZ land	Minister for Land Information	Cabinet (on advice of Minister responsible for legislation)	Minister of Finance and Minister of Housing and Urban Development	No decision required (once HNZ's development function has become UDATA)	HNZ, potentially at direction of Minister of Housing and Urban Development
Decision speed	Slow (as each land parcel treated separately)	Fast	Potentially slower (as separate decision point)	No decision required	Potentially slower (as SPV must be established)
Decision point	At Minister's discretion	At the establishment of the development project	At Ministers' discretion	No decision required	At discretion of decision-makers
UDATA owns HNZ land	Yes	Yes	Yes	Yes	No

58. We understand that SSC is providing you with advice on the entity form and the organisational origin for the UDATA.
59. While Ministers will make their decisions based on a number of factors, we consider that ensuring the UDATA has access to HNZ land for development is an important criterion, given the material role that this land will play in urban development projects in existing urban areas.
60. MSD considers that Ministers will also need to take into account the potential distraction for HNZ from achieving the Government's objectives of increasing public housing supply and reducing homelessness.

Next steps

61. Officials seek your agreement to the proposed approach to setting apart core Crown land for development projects. This mechanism will be integrated into the coming Cabinet paper seeking Cabinet agreement to a number of development powers for the UDATA.

62. As noted, the best means for providing the UDATA with HNZ land for development will depend on decisions around its entity form and organisational origin. For this reason, we recommend that you direct us to work with SSC to ensure that advice around entity forms takes land access into consideration.
63. Once organisational matters are resolved (following SSC's Cabinet paper), we will provide you with further advice on approaches to providing the UDATA with HNZ land. Cabinet agreement on this matter would then be sought.
64. We recommend that you forward this paper to the Ministers for the Environment, Land Information and Finance for their information.

Annexes

Annex 1: Case study and further detail on implications of transferring HNZ land to the UDATA

Annex 1: Case study and further detail on implications of transferring HNZ land to the UDATA

65. The following sections provide a case study (developments along the light rail corridor to the Auckland airport) and further detail on potential implications of transferring HNZ land to the UDATA via the transfer mechanisms outlined in options 1 and 2.

Case study: light rail corridor to the Auckland airport

66. The developments along the planned light rail corridor between the Auckland CBD and airport are a good example of the scale of HNZ land holdings implicated by urban development projects. The corridor presents the opportunity to redevelop land along the planned route to make the most of the opportunities provided by the light rail link. These projects would require the UDATA to acquire substantial landholdings for the land corridor and associated developments and infrastructure.
67. As with most of the development projects we anticipate in existing urban areas of Auckland, a substantial component of the public land along the planned route is currently held by HNZ. Table 2 below shows total HNZ land holdings in suburbs that would be crossed by the planned light rail corridor. (All figures are approximate.)

Table 2: HNZ land holdings in suburbs that would be crossed by the planned light rail corridor

Suburb	Existing properties	Existing properties identified as developable	Projected yields from redevelopment (including public housing)
Mt Roskill and One Tree Hill / Onehunga	3,700	2,500	9,400 (of which 1,700 have approved business cases)
Mangere / Favona	3,000	2,700	7,100 (of which 590 have approved business cases)
<i>Total</i>	<i>6,700</i>	<i>5,200</i>	<i>16,500 (2,300 with approved business cases)</i>

Source: HNZ

68. Alongside the 2,300 properties with approved business cases in the table above, HNZ has a significant volume of development already underway – as set out in paragraph 72 below.
69. If all of the existing properties were included within the boundaries of the light rail and associated development projects, it would take over a quarter of HNZ's entire property portfolio in Auckland (26,000 houses). As not all existing HNZ land will be close to the light rail route, not all land will be included in the project. Nevertheless, we can be confident that a large number of properties will be involved.

Implications for development

70. The HNZ properties most likely to fall within development projects in Auckland are largely the properties that have already been identified for development as part of HNZ's Auckland Housing Programme. Consequently, there is a real risk of delaying their development if these properties are transferred from one lead development agency to another.
71. For example, almost 80 percent of the properties that could potentially form part of the light rail development projects have already been identified for development as part of the Auckland Housing Programme. With plans for 16,500 new homes on these properties, the light rail projects alone could remove half of the Auckland Housing Programme's output.

Additional UDATA development projects in other suburbs would further reduce this programme.

72. The properties that would potentially fall within the light rail development projects are spread over 24 neighbourhoods, three of which already have approved business cases for development.¹ As shown in the table below, around 10 percent of the properties that have been identified for development have already commenced the process. About a third of the new homes from those sites already at the procurement or construction stage and the other two thirds at the planning or feasibility stage. These numbers will continue to grow between now and when the light rail development project is established.

Table 3: New HNZ homes by stage of development

Suburb	Number of sites	Number of new homes...		
		...at planning or feasibility stage	...at procurement or construction stage	...in total
Mt Roskill / Onehunga	13	903	119	1,022
Mangere-Favona	37	242	325	567
<i>Total</i>	<i>50</i>	<i>1,145</i>	<i>444</i>	<i>1,589</i>

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

- 74.

- 75.

Debt implications

76. s 9(2)(i)

¹ Owairaka, Roskill South and Mangere Bridge South.

77. s 9(2)(i)

78.

79.

80.

81.

s 9(2)(i)