



Kāinga Ora

A New Zealand Urban
Development Authority





Kāinga Ora - Homes and Communities was created on 1 October 2019 by statute, and consolidates three centres of central government urban development capability: Housing New Zealand, Housing New Zealand's urban development arm HLC, and KiwiBuild. The new omnibus Urban Development Bill (the Bill), currently at Select Committee stage, proposes to provide Kāinga Ora with a range of existing (and some new) development powers currently spread across multiple statutes and agencies. This will empower Kāinga Ora to better facilitate quality urban development in areas of need.

Importantly, the Bill reflects key Māori cultural considerations and supports iwi land development, proposing a uniquely New Zealand approach to urban development.

Urban Development Authorities, or UDAs, have been used internationally to enable large-scale projects to be brought to market earlier than would otherwise have been possible. The link between quality sustainable city environments, strong communities, and personal wellbeing has long been accepted and understood. Safe, stable, connected people are happier, healthier and more productive.

Looking at the urban development problems UDAs have been able to address (consider Perth or Queensland, for example), we think New Zealand will benefit from one. In our experience, however, effective UDAs require purpose driven legislation that promotes collaboration in a way that is sensitive to stakeholders but without burying the process in red tape so that it undermines the intent.

What are Urban Development Authorities?

Internationally, UDAs are used to provide direct connection between areas of unmet development need and central government expertise and funding. In the case of Kāinga Ora, the focus is urban development at scale and pace. Its key

objectives are lofty and are embedded in its formative legislation (Kāinga Ora – Homes and Communities Act 2019). It is tasked with contributing to the development of sustainable, inclusive and thriving communities that:

- provide people with quality affordable housing that meets diverse needs;
- support good access to jobs, amenities and services; and
- enhance the overall economic, social, environmental and cultural wellbeing of current and future generations.

The Government, in creating Kāinga Ora, acknowledges the need to support iwi, local authorities and the private sector so that, together, New Zealand can deliver better developments and connected communities that provide choices for New Zealanders from varied backgrounds and at different life stages.

It is apt that a Government holding itself to account against wellbeing, economic and environmental sustainability metrics has established Kāinga Ora - Homes and Communities as New Zealand's first national UDA.

Kāinga Ora is now the national public housing landlord and the Government's development arm for leading and coordinating urban development projects across New Zealand. Amongst other key projects such as Hobsonville Point and Northcote, the HLC legacy team have also been leading the Auckland Housing Programme since 2016. The strength and breadth of their urban development expertise combined with the competence and experience of the Housing New Zealand and Kiwibuild teams will mean the new Kāinga Ora entity is well placed to guide urban development with sensitivity and care, especially when creating communities for our vulnerable public housing tenants.

In establishing New Zealand's first UDA, the Government has the benefit of international experience and expertise. In 2017 we commented on alternative models of structuring and running a UDA based on our experience advising UDAs globally [<https://www.pwc.co.nz/insights-and-publications/2017-publications/urban-regeneration-what-is-the-public-sectors-role.html>]. What is clear is that, internationally, successful UDAs are built around four key pillars: (1) independent governance structures; (2) clear objectives and mandates; (3) collaboration with key stakeholders; and (4) enabling legislation that efficiently empowers the UDA's activities.

What is also clear from our international experience of UDAs is that if the project approval process is too complex, it isn't used. UDAs need simple layers of approval to make it easier to initiate and run their urban development projects.

Key UDA insights

The Bill suggests a model that reflects key aspects of these four pillars. However, we are concerned that the proposed UDA project approval process is too onerous, possibly to the extent that it may be less useful than traditional planning pathways. We recommend that the steps for consultation and review be refined and simplified to ensure that Kāinga Ora is empowered to deliver efficiently on its objectives, whilst still having the appropriate checks and balances in place.

“ It is apt that a Government holding itself to account against wellbeing, economic and environmental sustainability metrics has established Kāinga Ora - Homes and Communities as New Zealand's first national Urban Development Authority. ”

As the debate opens up on UDAs, it's worth understanding the critical success factors for delivering successful regeneration projects. There are five key areas that are critical during the establishment phase:

Legal structure & governance

Striking the balance between being a public sector controlled and commercial orientated entity, to deliver policy objectives and provide the right risk-adjusted return.

Funding

A transparent and accountable funding model. Different models include fee-for-service, self-funding from earnings, recurrent funding from Council or funding via an asset transfer.

Operational model

Needs to align with the strategic intent of the UDA and consider optimum organisational structure, decision rights and processes, frameworks and technology.

Implementation

An effective implementation strategy is required across four areas: People, Process (funding and operating models), Candidate projects and legal and governance.

Development role & capabilities

Determining which activities the UDA undertakes across the development spectrum will be influenced by the legal and funding structure.

What can Kāinga Ora do with a Specified Development Project (SDP)?

Brownfield urban developments are projects that typically face considerable barriers such as fragmented land parcels, the need for infrastructure upgrades, restrictive planning requirements and disparate views between stakeholders and decision makers. These barriers mean consolidated, large-scale urban developments struggle to progress in the current environment. A UDA can be used to facilitate these projects.

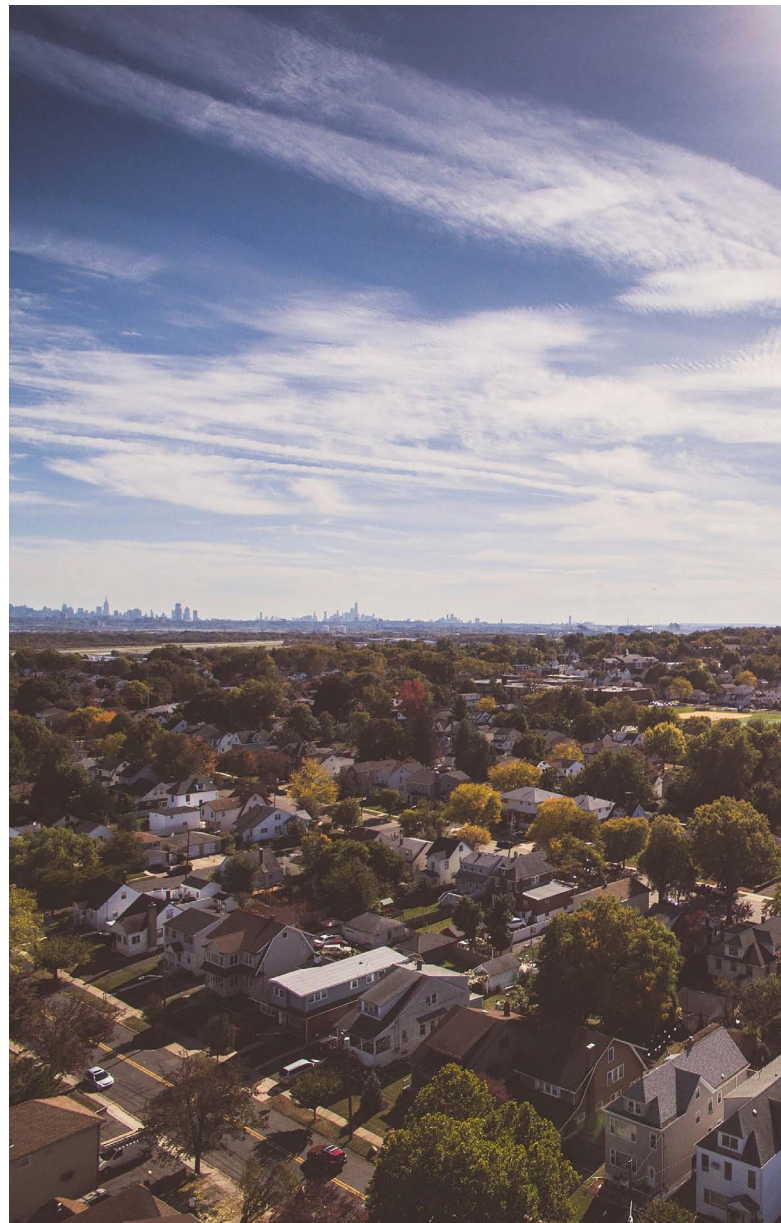
The Bill proposes the consolidation of a range of existing development powers that are currently spread across multiple statutes and agencies, but a lengthy approval process is proposed before Kāinga Ora can use these powers. Under the Bill, Kāinga Ora will be empowered to:

- undertake infrastructure works;
- issue resource consents;
- make planning changes;
- implement various funding tools such as targeted rates;
- set development contributions; and
- acquire land via processes similar to those supported under the existing Public Works Act.

Kāinga Ora is also required to protect Māori interests in land, recognising culture and traditions and invite Māori land development in the project areas. The Kāinga Ora operating principles include concepts of stewardship and sustainability reflecting kaitiakitanga concepts.

Once a project is approved, provided facilitating powers are granted, this results in all the planning, infrastructure and funding for a project being determined up front, providing greater certainty and coordination for communities, developers and investors. The consenting and implementation rest in one entity and works can be undertaken contemporaneously for both infrastructure and dwellings, thereby increasing speed of delivery. By comparison, the status quo often means that despite significant investment in consultation and feasibilities for development, the fragmented nature of the stakeholder approval process can stymie the process by creating delays and uncertainty of outcome.

The risk we see for New Zealand's proposed UDA is that the process for establishing a SDP is complex and, potentially, the suggested powers could be watered down, which could mean New Zealanders will not see its intended benefits.



How efficient is the proposed SDP approval process?

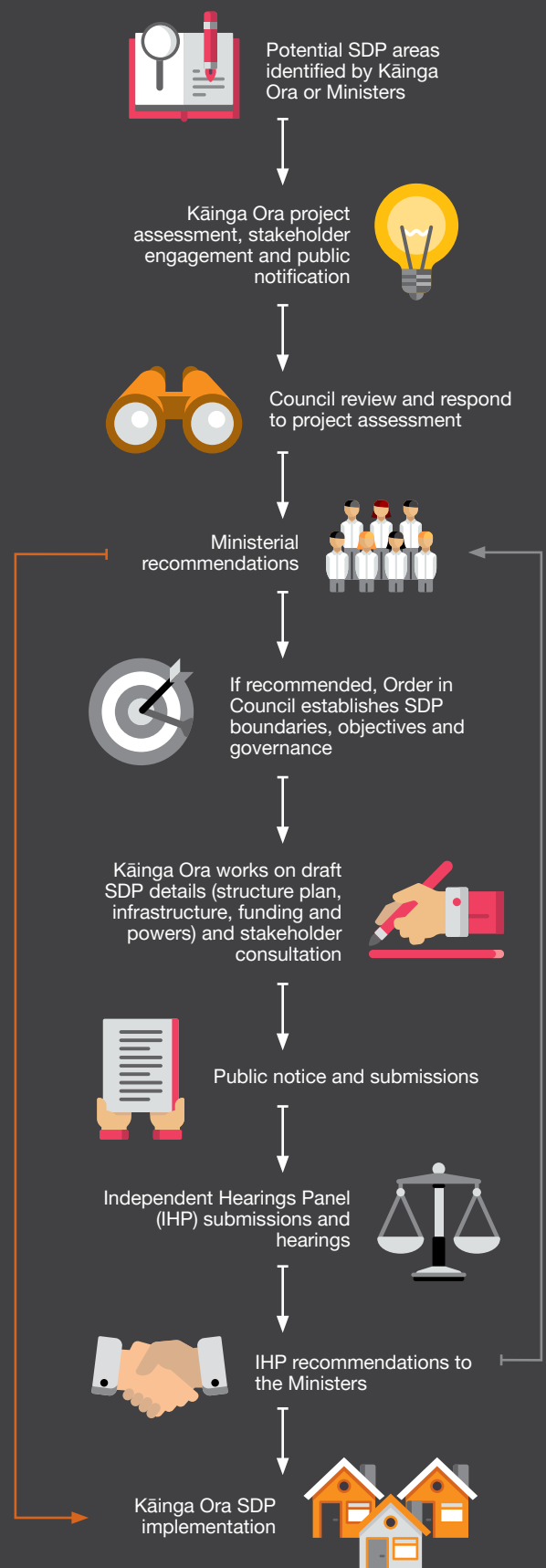
Once a SDP is created, it should then create a streamlined process for implementation, but as you can see from the (simplified) diagram on this page there are still many steps to get there. The Bill proposes a heavy up-front planning and consultation process for Kāinga Ora. There is a proposed robust platform for public review and debate via the proposed Independent Hearings Panel (IHP) process. There are several other avenues for stakeholders to make submissions and comment (over and above usual lobbying and public commentary avenues). We support the consultative process and the knowledge sharing that it will enable, but question the efficiency of repeated consultation and of creating multiple avenues for submissions and comment.

We suggest that, provided key stakeholders are identified and consulted in the assessment and feasibility phase, the IHP could be a consolidated platform that enables considered, but efficient, decision making. We think requiring multiple alternative avenues for submissions and comment will slow the process down and thwart giving efficient effect to the purpose of the Bill.

With a SDP signed off, Kāinga Ora should be able to achieve significant scale and speed in undertaking projects by having the ability to move forward with a full toolkit of development powers and with certainty around stakeholder support. We think the benefits of this new system for development should be felt after a SDP is approved, provided it gives Kāinga Ora the development powers suggested by the Bill.



The Suggested Road to a SDP



Collaboration is key

Kāinga Ora is not tasked with creating these communities by itself. It is tasked with supporting and contributing towards their creation. From the get go, it is clear that Kāinga Ora's role is to participate, facilitate and support urban development, using its knowledge base and capital to create the kind of communities and developments that are often beyond the scope of the private sector, given their responsibilities to financial investors. Kāinga Ora must collaborate with the development community, Māori, Ministries, local and central government and others on urban development projects of all sizes across New Zealand. To date, that kind of collaboration has been undertaken with some success, but consultation and engagement would be a requirement of legislation and we suggest this would provide better outcomes across the board.

Collaboration with iwi

Importantly, Kāinga Ora must identify and support Māori aspirations for urban development, including through the opportunity to participate in development. We look forward to a high level of collaboration between iwi and the Crown. The Bill also proposes further protections for Māori land over and above their existing rights of first refusal, upholds Treaty of Waitangi principles and its processes are all subject to settlement legislation.

Collaboration with communities

Consultation with communities affected by the urban development plans will be key to success for Kāinga Ora. In providing information and opportunities for participation within the communities, urban development can become something communities actively engage in and contribute towards.

Collaboration with Councils and Ministries

Local councils and Council Controlled Entities will be critical partners to Kāinga Ora, as they have access to essential land, infrastructure and local knowledge. We support the promotion of open, participative development in the Bill. The Bill calls for information sharing across local and central government agencies and collaboration between the various Ministries who will need to install services within Kāinga Ora's target projects.

As New Zealand's first UDA, we recommend careful change management strategies are applied to encourage Ministries and local authorities to embrace the investment of additional expertise and capital into their historical areas of control. That will necessarily involve careful negotiation of risk, duties and cost and will need to be carefully recorded in agreements between the various stakeholders so outcomes and responsibilities are clear. We recommend a purpose-driven approach for all involved be cemented in the legislation to help guide these conversations.

The private sector benefits

Central and local government led projects are attractive to the private development sector, but in many cases we have seen reluctance to engage given the potential for policy changes and the length of time involved in navigating the internal processes of Crown and Council entities. That is understandable given (a) it is difficult to plan and fund development activity where

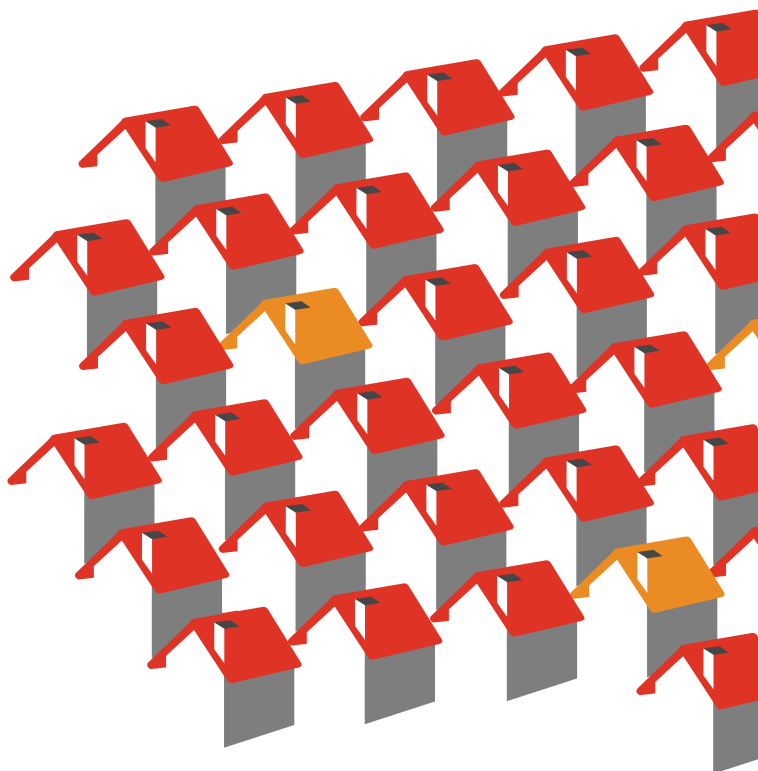
“ We want to ensure much-needed urban development, housing and infrastructure is delivered strategically and in a short timeframe, especially in the areas most experiencing these challenges. ”

Hon Phil Twyford

forward work streams might be dependent upon the political winds of change and (b) there are often decision making delays due to internal processes, both of which have real and significant cost and risk implications for private developers. We think that if the SDP process is quick and effective, Kāinga Ora would be able to forecast future work streams and decision making processes with more certainty which in turn will stimulate private sector engagement and likely result in better financial outcomes for all involved. Internationally, we have seen that certainty of forward work has been a key to UDA success.

Given the scale of the urban regeneration works planned to be undertaken, the private sector has a significant role to play in supporting and undertaking urban development works. Utilising SDPs and the new planning and consenting powers available to it, Kāinga Ora would be able to:

- accelerate developments and availability of build-ready land;
- provide developers with greater pipeline certainty; and
- facilitate a one-stop-shop for consenting, thereby truncating the time frame in which the private sector can bring products to the market, speeding up the circulation of private capital and getting people into homes faster.



Further considerations:

- **Approve projects now:** Considering the depth of knowledge Kāinga Ora has available to it from its work in driving the Auckland Housing Programme, can SDP areas be identified now and included in the legislation to fast track development in areas of need?
- **Governance structures to bridge the gaps:** The Bill sets out the ability to create bespoke governance structures for each project. Given that, at times, there may be a misalignment of interests between various stakeholders, can these governance structures be tailored in a way that helps bridge differences between stakeholders by including key stakeholder representatives?
- **Privately held public housing:** The level of privately held public housing in New Zealand is significantly less than in comparative jurisdictions such as the UK and Australia. From a social responsibility standpoint, whilst Kāinga Ora is now the public housing landlord, this is a large and complex portfolio and from a social responsibility standpoint we think that the private sector still has a significant role to play in public housing to ensure there is sufficient supply of emergency and public housing for the vulnerable in our communities.
- **Infrastructure funding:** How can we learn from the Infrastructure Funding and Financing Bill so that Kāinga Ora can make best use of the Bill's proposed funding tools to efficiently and affordably deliver infrastructure within the SDP project areas?

Contacts



John Schellekens

Partner | PwC

P: 027 489 9541

E: john.b.schellekens@pwc.com



Carl Blanchard

Partner | PwC

P: 021 744 722

E: carl.g.blanchard@pwc.com



Craig Armitage

Partner | PwC

P: 021 616 232

E: craig.armitage@pwc.com



Matt Keenan

Partner | PwC Legal

P: 021 834 216

E: matt.p.keenan@pwc.com



Nicky Harrison

Director | PwC Legal

P: 027 326 3265

E: nicky.c.harrison@pwc.com



James Greenwell

Director | PwC

P: 021 0297 9106

E: james.t.greenwell@pwc.com



Bruce Isles

Executive Director | PwC

P: 027 484 4040

E: bruce.n.isles@pwc.com