

The Treasury

Social Housing Reform Programme Information Release

Release Document

October 2016

<http://www.socialhousing.govt.nz>

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [3] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [4] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [5] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [6] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [7] 9(2)(h) - to maintain legal professional privilege
- [8] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [9] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [10] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [11] Not relevant

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

s 9(2)(f)(iv) Active consideration, s 9(2)(ba)(ii) Commercially sensitive

Treasury Report: Short Term Housing Project [] Development - Scale and Pace Options

| | | | |
|--------------|-------------|---------------------|----------------|
| Date: | 2 June 2016 | Report No: | T2016/868 |
| | | File Number: | SH-3-2-18-18-5 |

Action Sought

| | Action Sought | Deadline |
|--|---|-----------------|
| Minister of Finance Minister Responsible for Housing New Zealand Corporation (Hon Bill English) | Note the contents of this report and officials proposed approach to the pace and scale of the development. Indicate if you would like to discuss with officials. | 10 June 2016 |
| Minister for Social Housing (Hon Paula Bennett) | Note the contents of this report and officials proposed approach to the pace and scale of the development. Indicate if you would like to discuss with officials. | 10 June 2016 |

Contact for Telephone Discussion (if required)

| Name | Position | Telephone | 1st Contact |
|--|-----------------|------------------|--------------------|
| Section 9(2)(a) Privacy of Natural Persons | | | ✓ |
| | | | |
| | | | |

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (enclosed)

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

Treasury Report: Short Term Housing Project - [redacted] Development - Scale and Pace Options

Purpose of Report

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

1. This report provides a general update on the [redacted] Development and outlines officials' proposed approach to the scale and pace of the development.

s 9(2)(h) OIA Legal professional privilege

Context

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

2. Treasury, in conjunction with [redacted] and Housing New Zealand Corporation (HNZC), have been investigating a potential short term development in [redacted]. The purpose of the development is to bring forward new supply in Auckland using land that would otherwise not be available for housing and to trial novel or new building methods (i.e. modular or prefabricated construction). It is possible that the [redacted] development will provide a useful model for managing re-housing to facilitate redevelopment of HNZC stock.

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

3. [redacted] role in the potential development is as the land owner. The land being considered for the [redacted] development is partly vacant and being held [redacted]

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

[redacted] in the interim, and while the land is not being used for [redacted] is prepared to make the land available for housing at an agreed rental [redacted]

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

s 9(2)(f)(iv), s 9(2)(h) OIA Legal professional privilege, s 9(2)(ba)(ii) Commercially sensitive

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv)

[redacted] and therefore needs to ensure that it obtains a commercial return from the development. To ensure the use of the land is maximised, [redacted] taking responsibility (in conjunction with HNZC) [redacted]

4. HNZC's role in the potential development is as the head tenant and to procure the development of the site. Over time the tenancy and asset manager could transition to a Community Housing Provider. HNZC has indicated that it will, subject to the development being financially feasible, lead the development of the site. This would involve HNZC leasing the land off [redacted] and being responsible for procurement, tenancy and asset management, and the eventual removal of units from the site.

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

Update

5. The table below sets out the key work streams for the [redacted] and the current situation. Overall the development is progressing well. Key milestones over the next few months include finalising negotiations between HNZC and [redacted] and timely preparation of the resource consent.

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv)

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv)

| Work stream | Description | Current situation | Next steps |
|--|--|---|------------|
| Negotiations between [redacted] and HNZC | Agreement on key lease terms (subject to the resource consent being obtained). | [redacted] and HNZC have reached agreement in principle on most of the key lease terms. | |

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv), s 9(2)(h) OIA Legal professional privilege

| Work stream | Description | Current situation | Next steps |
|---|--|---|---------------------------------|
| Resource consenting for the development | Preparation of resource consent application for Auckland Council to consider. This may impact the maximum number of units on the site. | s 9(2)(f)(iv) Active consideration, s 9(2)(ba)(ii) Commercially sensitive | |
| Procurement process | Design a procurement process for the delivery of units. | Progress procurement planning in parallel with the negotiations/consent so that the procurement process can commence as soon as possible. | Develop a procurement strategy. |

6. Officials are also seeking to clarify the building consent requirements and how these might impact off-shore providers of modular prefabricated buildings. At present it appears that it may be difficult for offshore providers to participate in the project. Offshore providers are unlikely to be critical to the success of the project, given the number of domestic providers, however, to encourage innovation officials would like to have the broadest market possible. Officials will report to Ministers on this matter in the next month.

Scale and pace options

7. s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv)

10. The proposed timeline for the development can be found in the table below.

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

| Step | Date/s | Description |
|------|-------------------|--|
| 1 | Complete | agreement in principle to most key lease terms |
| 2 | July 2016 | s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv), s 9(2)(h) OIA Legal professional privilege obtaining resource consent for the site. |
| 3 | June to July 2016 | Procurement of consultants |

s 9(2)(f)(iv), s 9(2)(ba)(ii) Commercially sensitive

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv)

Next steps

12. Officials will continue to update Ministers' offices regularly.

Recommended Action

We recommend that you:

- a **Note** the contents of this report.

- b **Indicate** if you would like to discuss with officials (please circle one).

Yes I would like to discuss / no discussion necessary
Minister English

Yes I would like to discuss / no discussion necessary
Minister Bennett

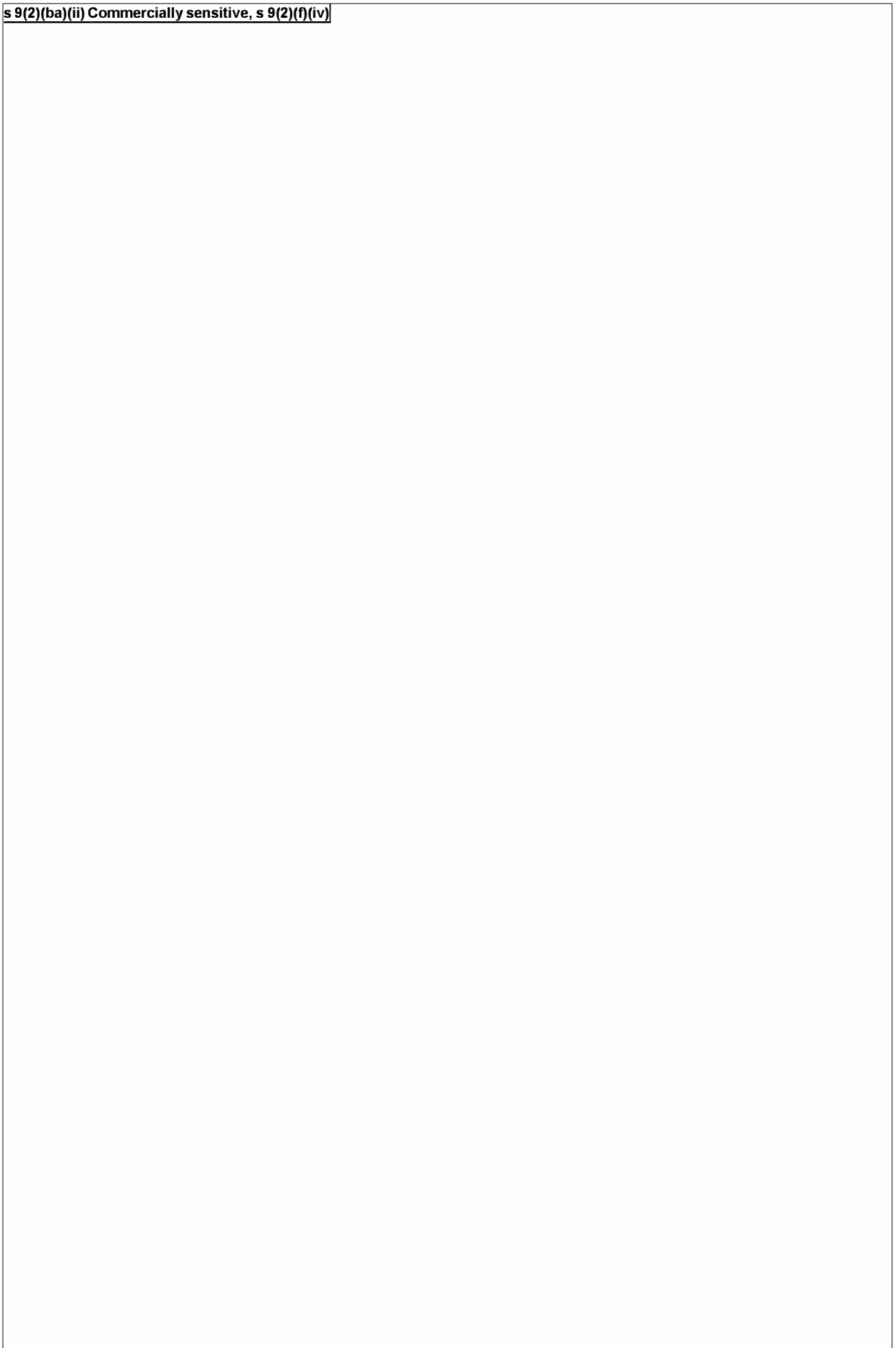
Stacey Wymer
Social Housing Reform Programme - Head of Transactions Unit

Hon Bill English
Minister of Finance
Minister Responsible for Housing New Zealand Corporation

Hon Paula Bennett
Minister for Social Housing

Indicative layout of the [9(2)(f)(iv)] site (options 2 and 3)

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv)



Forecast costs for Development

Forecast cost for the development – note that there are some costs in the feasibility that may be reduced or revised downward. In particular the in-house costs s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv) The forecast will be refined periodically as more detail is available.

s 9(2)(ba)(ii) Commercially sensitive, s 9(2)(f)(iv)