

Reference: 20210496



TE TAI ŌHANGA
THE TREASURY

21 December 2021

Dear [REDACTED]

Thank you for your Official Information Act request, received on 26 October 2021. You requested the following:

- *Advice provided to the Minister of Finance about the Kāinga Ora Land Acquisition Fund / Programme announced in Budget 2021*
- *Emails between Treasury officials and officials at Te Tuāpaa Kura Kāinga and or Kāinga Ora in relation to the Kāinga Ora Land Acquisition Fund / Programme*

On 16 November 2021 the request was clarified to

We are happy to, as outlined, to exclude purely administrative emails from the request and to prioritise release of the report.

The time to respond was extended by 20 working days.

Information being released

Please find enclosed the following documents:

Item	Document Description	Decision
1.	Advice to Ministers and discussion thereof (other)	Release in part
2.	Business case- programme	Release in part
3.	Gateway process	Release in part
4.	Fernclyffe and other acquisitions	Release in part
5.	Implementation, objectives and KPIs	Release in part
6.	Letter of Expectations	Release in part

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<https://treasury.govt.nz>

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- names and contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without prejudice or disadvantage, and
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury’s website.

Some information has been redacted because it is not covered by the scope of your request. This is because the documents include matters outside your specific request.

Information publicly available

The following information is also covered by your request and is, or soon will be, publicly available on government websites:

Item	Date	Document Description	Website Address
7.	21 January 2021	BRF20-21010838 Improving housing supply and affordability - more information	https://www.hud.govt.nz/assets/News-and-Resources/Proactive-Releases/4-BRF2021010838-Improving-housing-supply-more-information-REDACTED.pdf
8.	1 July 2021	BRF20-21050950 Briefing- implementing the Kāinga Ora Land Programme	Forthcoming on Ministry of Housing and Urban Development website

9.	8 July 2021	Treasury Report: T2021/1762 Housing Acceleration Fund	https://www.treasury.govt.nz/publications/other-official-information/responses-official-information-act-requests
10.	17 September 2021	BRF20-21071040 Kāinga Ora Land Programme - performance expectations and reporting	Forthcoming on Ministry of Housing and Urban Development website

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act:

- the information requested is or will soon be publicly available.

Some relevant information has been removed from documents listed in the above table and should continue to be withheld under the Official Information Act, on the grounds described in the documents.

Information to be withheld

There are additional documents covered by your request that I have decided to withhold in full under the following sections of the Official Information Act, as applicable:

- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without prejudice or disadvantage
- commercially sensitive information, under section 9(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information

Item	Date	Document Description	Decision
11.	23 July 2021	Email HUD feedback on draft briefing to Ministers on Ferncliffe Farms proposal	Withheld under s9(2)(j)
12.	23 July 2021	Email RE Ferncliffe Briefing	Withheld under s9(2)(j)
13.	26 July 2021	BN 21 021 Proposed acquisition of greenfields site Ferncliffe v2 +KL (EZ comments)	Withheld under s9(2)(j)
14.	19 August 2021	Gate 2 Significant Projects Brief Ferncliffe - Final	Withheld under s9(2)(j)
15.	27 September 2021	Letter to PM & Ministers	Withheld under s9(2)(b)(ii)
16.	29 September 2021	Email FW_ KO land Programme	Withheld under s9(2)(b)(ii)

17.	11 October 2021	Email RE_ KO land Programme	Withheld under s9(2)(j)
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In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



Geraldine Treacher
Manager, Housing and Urban Growth

OIA 20210496

Information for Release

1.	<u>Advice to Ministers and discussion thereof (other)</u>	1
2.	<u>Business case- programme</u>	25
3.	<u>Gateway process</u>	40
4.	<u>Ferncliffe and other acquisitions</u>	61
5.	<u>Implementation, objectives and KPIs</u>	79
6.	<u>Letter of Expectations</u>	176

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Wednesday, 30 June 2021 1:29 pm
To: Olivia Maxwell [TSY]
Cc: Fiona McCarthy; Naomi Stephen-Smith; Robert Murray; ^HUD: David Shamy; Hilary Eade; Jane Keane; Bastiaan van der Scheer [TSY]
Subject: FW: For review: Housing and supply and affordability package and supporting purpose built rentals
Attachments: Draft briefing- implementing the Kainga Ora Land Programme.docx

Hi Olivia,

Further to Hilary's email, attached is a near final (tracked) draft of the Kāinga Ora Land Programme briefing.

Among other things, we have:

- Expanded on the ways in which the Kāinga Ora Land Programme can add value and shape housing delivery relative to what the market would likely do on its own. This is much broader than its ability to deploy its regulatory tools
- Made more explicit links to the place-based approach and Kāinga Ora's emerging Regional Investment Plans and Area Development Strategies
- Emphasised the importance of collaboration and coordination across government (including through updated information sharing protocols between Kāinga Ora and Land for Housing)
- Beefed up the section flagging the proposed report back on KPIs and reporting arrangements (including with respect to use of the funding for non-commercial outcomes).

Happy to discuss.

Regards,

Robert Murray

Principal Advisor | Urban Development Regulatory Tools

Place-based Policy and Programmes

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He kāinga ora, he hāpori ora - our purpose is thriving communities where everyone has a place to call home.

From: Hilary Eade <Hilary.Eade@hud.govt.nz>
Sent: Tuesday, 29 June 2021 6:24 PM
To: Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>; Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>; John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>; Geraldine Treacher <Geraldine.Treacher@treasury.govt.nz>
Cc: Fiona McCarthy <Fiona.McCarthy@hud.govt.nz>; Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>; David Shamy <David.Shamy@hud.govt.nz>
Subject: RE: For review: Housing and supply and affordability package and supporting purpose built rentals

Kia ora Olivia

We'll send you final drafts of the papers once they're finalised so you can decide whether you want us to include a Treasury comment. They will come through individually from the authors - the earliest we can get them to you will be first thing tomorrow. You're also welcome to provide separate comments to your Minister.

In terms of your comments, the leads for the papers may come back to you with any specific comments but we have the following general comments:

- Some of your comments seem to be in conflict with decisions that have already been made by Ministers and/or Cabinet e.g. it was agreed that the various funds and programmes should all increase the supply of affordable housing for low to moderate households given the market is not delivering these price points in many places. While there is some overlap between the funds, there are differences in ownership of the land and/or the focus of these funds. The intent is to have the funds compliment each other with investment being tailored to what is needed in a particular place.
- We are puzzled by your comment that the Kāinga Ora Land Programme should concentrate on purely commercial projects. How is this consistent with the government's objectives around housing for low to moderate income households and mix communities. We don't consider that regulatory interventions will be enough to shift things – our experiences working in different places is that trickle down will not deliver housing for this cohort in the short to medium term, if ever. However, we're interested in any evidence you can provide to the contrary.

Ngā mihi
Hilary

Hilary Eade ([she/her](#))

Kaiaki

Place-based Policy and Programmes

hilary.eade@hud.govt.nz | Phone: s9(2)(k) | Mobile: s 9(2)(g)(ii)

From: Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>

Sent: Tuesday, 29 June 2021 2:04 PM

To: David Shamy <David.Shamy@hud.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>; Hilary Eade <Hilary.Eade@hud.govt.nz>; Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; Fiona McCarthy <Fiona.McCarthy@hud.govt.nz>

Cc: Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>; Geraldine Treacher <Geraldine.Treacher@treasury.govt.nz>; John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>

Subject: RE: For review: Housing and supply and affordability package and supporting purpose built rentals

Kia ora koutou,

Hope you're all well, despite the horrible weather!

Just touching base on these papers – how are things going? Would it be possible for us see copies of the latest versions today, please? As I noted on Friday, depending on where the papers are now at, we may be looking to provide a Treasury comment to be inserted, and I'm conscious that there is relatively little time left for us to get this back to you before the papers are sent out.

Thank you! Really appreciate you keeping us in the loop on this – I know it's been all go at your end.

Cheers,
Olivia

Olivia Maxwell ([she/her](#)) | **Graduate Analyst - Housing and Urban Growth | Te Tai Ōhanga – The Treasury**

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From: Olivia Maxwell [TSY]
Sent: Friday, 25 June 2021 5:13 pm
To: 'David Shamy' <David.Shamy@hud.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>; Hilary Eade <Hilary.Eade@hud.govt.nz>; Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; Fiona McCarthy <Fiona.McCarthy@hud.govt.nz>
Cc: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>; Geraldine Treacher [TSY] <Geraldine.Treacher@treasury.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>
Subject: RE: For review: Housing and supply and affordability package and supporting purpose built rentals

Kia ora koutou,

Hope you're all well. Thank you for sending these briefing papers through to us, really appreciate the chance to take a detailed look.

We've provided our initial feedback below; this covers Treasury's view on the following four draft briefings: the *Affordable Housing Fund*, *Implementing the Kāinga Ora Land Programme*, *Land for Housing Programme Settings*, and *Supporting Purpose Built Rentals* (in addition to the comments Ryan has already provided in relation to the Overseas Investment Act). We will provide separate feedback early next week on the *Tax Treatment of Purpose Built Rentals* briefing. Note that we are also intending to touch base with our legal team on Monday just to clarify what degree of input it would be reasonable for us to offer in terms of the Kāinga Ora Land Programme.

Really sorry to send through such a dense set of feedback at this time on a Friday. Appreciate that you guys are all under the pump on this and we're keen to support however we can. We are more than happy to discuss any of the comments below with you in person next week if that would be helpful. We're aware that you're looking to turn this around by 1 July, and that there may not be time to address all of our feedback – in that instance, we would likely be looking to provide a Treasury comment directly into the briefings if possible.

Wishing you all a relaxing (and hopefully Covid free!) weekend – apologies again for doing this to you on a Friday evening!

Cheers,
Olivia

General Comments

- All of these briefings include measures that subsidise affordability. Whilst this is reasonable in the context of some funds (e.g. the Affordable Housing Fund), we would expect to see other funds serving more strategic and/or commercial purposes, as per their initial objectives. There is a risk that settings are increasingly confusing and overlapped - it may be difficult not only to meet objectives, but to know whether those objectives are being met.
- There is an opportunity here to rationalise and consolidate the set of funds and programmes on offer, to make it simpler for people to engage with, to reduce administrative burden, and ultimately to secure better outcomes. Has there been any consideration given to discussing with your Minister whether it's time to consolidate some of these programmes? In particular, we are interested in whether the tipping point has been reached for Land for Housing to shift across to Kāinga Ora, if Kāinga Ora is now considered mature enough to handle the Crown-Māori relationship.
- It is difficult to see how new funds, combined with existing measures (AS, IRRS, etc) add up. Where are the gaps now, and what will the new money buy across the system relative to unmet housing demand/need? Setting this out would greatly aid Ministers in their decision making, and would also help to keep in perspective the relative impact of interventions in this part of the system on the housing crisis as a whole (relative to the impact of system change, such as RM reform). If it is not possible to provide fully modelled advice, then worked examples could be used based on known developments. We recognise this is a difficult

task and we'd be happy to discuss ideas on how to approach it based on the material in Annex B of the PBR paper.

Supporting Purpose Built Rentals

Purpose Built Rentals (PBR)

On international investment in PBR, we would like to see analysis to support the advice provided, and evidence beyond the anecdotal level. For instance: what levels of return are expected? What do these levels need to be in order to attract investment? How do we know that returns on PBR are lower than comparative investments, especially if the investment is being made by an entity that has done this overseas and knows the risk profile? We are also interested in what in particular you see as unique to overseas investment that NZ investors would be unable to provide (if the returns being sought will be the same). A related question is why we want to maintain prices in the secondary market for PBR - wouldn't we prefer international investment go to new PBR? If you're wanting to stimulate PBR using direct subsidy, the Affordable Housing Fund, for example, would seem a better path.

Given Kāinga Ora is already taking lower prices on the sale of public housing land to meet KiwiBuild price thresholds, we are wary of them being given a mandate (direct or otherwise) to subsidise PBR or sub-market rentals without very tight controls in place.

s9(2)(f)(iv)



Implementing the Kāinga Ora Land Programme

The intended purpose of the Kāinga Ora Land Programme was to facilitate strategic land purchases which would unlock development potential, for instance, highly fragmented parcels of land, with a focus on commercial, 'arms-length' transactions and private land that is either constrained in some way that Kāinga Ora can overcome, or being land-banked. In that context, we are concerned that the current approach reads more as BAU land acquisition to support a pipeline of work very similar to Land for Housing, rather than as acquisitions with genuine strategic value. We are also concerned that this briefing focuses too much on subsidy and nonmarket outcomes, noting that the fund that has only got \$10 million p.a. to provide subsidy. We do not want to see the Kāinga Ora subsidising projects beyond that \$10 million dollars, and would expect subsidy and non-commercial outcomes to be primarily the domain of the Land for Housing and Affordable Housing Funds. The way the programme is currently set up, there is significant risk of overlap or double-up without clarity or transparency. For instance, their initial list of development sites overlaps almost entirely with land within Land for Housing scope or land that is available for private development.

Given these concerns, we would like to see the policy directions given being responded to by KO with a private land acquisition strategy, including sufficient controls to address the concerns above. For instance, public land would only be included where it is adjoining private land that independently or jointly provides a strategic project. Ministers can then confirm this as a first input into their development programmes. We would expect this to set out, for instance, which areas are considered a priority for strategic land acquisition. One option for improving transparency and shifting the emphasis away from subsidy would be to include a requirement that approval must be applied for whenever the programme is considering doing something for a non-commercial reason that deviates from highest and best use, or lowers return on investment. Land for Housing should be the first port of call for public land and subsidised housing, in combination with the Affordable Housing Fund.

Land for Housing Programme Settings

With s9(2)(f)(iv) to be added to Land for Housing there are potentially several funding streams at play on both the supply and demand side. Again, we are concerned that there is a lack of visibility for Ministers as to what the distinct objectives are for use of Crown funds, and what value funding is delivering where. The overlapping funding landscape may also be increasingly complex for developers, iwi and industry partners to navigate. How clear will it be that programmes aren't doubling up or competing with one another? How will we ensure alignment on projects with multiple Crown and KO funding streams present? s9(2)(g)(i)

Affordable Housing Fund

We would like to see increased clarity on what specific objectives the Affordable Housing Fund is trying to achieve, and how much impact it can realistically make. s9(2)(f)(iv)

Olivia Maxwell (she/her) | Graduate Analyst - Housing and Urban Growth | Te Tai Ōhanga – The Treasury

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From: David Shamy <David.Shamy@hud.govt.nz>

Sent: Wednesday, 23 June 2021 10:39 am

To: Geraldine Treacher [TSY] <Geraldine.Treacher@treasury.govt.nz>; Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>

Cc: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>; Hilary Eade <Hilary.Eade@hud.govt.nz>; Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; Fiona McCarthy <Fiona.McCarthy@hud.govt.nz>

Subject: For review: Housing and supply and affordability package and supporting purpose built rentals

Hi both – per our meeting this morning. Here are drafts of the package of briefings going to the Minister woods.

The Draft on “supporting purpose built rentals” briefing gives an overview, while the other briefings go into more design and implementation of funds.

As discussed – Bastiaan received copies, as well as your colleagues Ryan Walsh and Thomas Parry in the international team and Peter Highton re. the Overseas Investment Act discussion. As mentioned, comments by midday Friday would be really helpful.

Further advice is expected on the tax settings later this week

Cheers

David Shamy ([he/him](#))

Principal Policy Advisor | MARKET AND SUPPLY RESPONSES

Housing and Urban Settings

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From: Hilary Eade <Hilary.Eade@hud.govt.nz>
Sent: Thursday, 8 July 2021 1:36 pm
To: Bastiaan van der Scheer [TSY]
Cc: Naomi Stephen-Smith; John Beaglehole [TSY]
Subject: RE: Draft TR on HAF briefings
Attachments: 4481305_Treasury Report_ Housing Acceleration Fund (003).DOC

Hi Bastiaan

Thanks for sharing. As discussed, attached are our comments -tried to be constructive about where we think changes should be made.

Happy to discuss, just call me.

Ngā mihi
Hilary

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Thursday, 8 July 2021 10:39 AM
To: Hilary Eade <Hilary.Eade@hud.govt.nz>
Cc: Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>
Subject: Draft TR on HAF briefings

Hi Hilary

Our draft advice on the HAF briefings is attached. Happy to take feedback.

Apologies for the lack of time, I was drafting it last night.

Sign-out will be shortly after midday and we'll be sending it in our 2pm bag today.

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

Please note I work irregular hours, please call me for anything urgent



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Treasury Report: Housing Acceleration Fund

Date:	8 July 2021	Report No:	T2021/1762
		File Number:	SH-18-1-3

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Agree the recommendations of this report</p> <p>Forward a copy of this report to the Minister of Housing</p> <p>Discuss this report with the Minister of Housing</p>	16 July 2021

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Bastiaan van der Scheer	Principal Advisor, Housing and Urban Growth	s9(2)(k)	s 9(2)(g)(ii)	✓
John Beaglehole	Acting Manager, Housing and Urban Growth		n/a (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.
Forward a copy of this report to the Minister of Housing.

Note any feedback on the quality of the report

Enclosure: Yes

[Annex 1: HAF TR How to Achieve Alignment Across Programmes.docx](#)

Treasury:4481305v3

Treasury Report: Housing Acceleration Fund

Executive Summary

You have recently received three briefings prepared by Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (“MHUD”).

These papers are:

- *Land for Housing Programme settings*, BRF20/21050968 (“Paper 1”), for your agreement
- *Affordable Housing Fund – proposed policy and draft design*, BRF20/215098 (“Paper 2”), for your information
- *Implementing the Kāinga Ora Land Programme*, BRF20/21050950 (“Paper 3”) for your agreement

These papers discuss aspects of funding programmes that fall under the recently announced Housing Acceleration Fund (HAF), being the Land for Housing (LfH) Programme; the Affordable Housing Fund (AHF); and the Kāinga Ora (KO) Land Programme.

The Cabinet Minute establishing the HAF mentions several housing objectives, including scale, pace and affordability [CAB-21-MIN-0061]. Secondary objectives are set out in the supporting paper. We consider the cumulative intent is for the HAF to unlock development opportunities that the market or KO alone would struggle with. Doing so will allow housing to come to the market more quickly, in greater density, and providing for a greater level of housing affordability than would otherwise occur. Scale is identified as a key enabler.

The changes and additions proposed through the HAF have a high degree of commonality, both with each other and also with other existing programmes (as illustrated in Annex 1). As a result, their introduction with deliberately overlapping objectives may reduce transparency and increase administrative costs.

However, the changes introduced by the HAF also provide a spur to officials and Ministers considering how public funding can be applied in a more cohesive way to provide greater impact for the same level of Crown support. This could be achieved by:

- **Increased sharing of information before any investment above an agreed amount is committed**, across programmes to improve transparency on the amount of support provided and benefits being provided in return.
- **Strengthening coordination** between programmes to utilise the information shared. Clearly delineate roles and responsibilities across and between the delivery teams at HUD and KO, to lower programme complexity and cost (both to government and the market). Require negotiations for different funding streams for a single development to occur in parallel where it will be above an agreed cost (with a single lead) unless there are exceptional circumstances. This may be more effective with the transfer of all acquisition/delivery functions from MHUD to KO.

The report then sets out our paper-specific advice.

- **Land for Housing - Paper 1:** We support the proposals in MHUD's Paper 1 and recommend that you agree to them.

Their paper seeks your agreement to adjustments to settings in order to give effect to CAB-21-MIN-0061. Proposed adjustments s9(2)(f)(iv)

The changes align with the Cabinet decision, are within your delegated mandate to make, and will incur relatively low additional expenditure that has already been allocated (\$50 million).

- **Affordable Housing Fund - Paper 2:** The AHF could be better targeted to your housing objectives.

s9(2)(f)(iv)

s9(2)(f)(iv)

. We recommend that you discuss this with the Minister of Housing as Cabinet mandate for implementing the AHF is with her alone.

- **KO Land Fund - Paper 3:** We recommend that you do not agree to Paper 3, and clarify your expectations of what the programme is to deliver in terms of the types of land to be acquired and housing outcomes to be achieved.

The programme has the potential to see KO leverage its statutory powers and the available debt-funding to overcome local government restrictions and market failures preventing the efficient supply of developable land, and/or deliver a value proposition superior to what would be delivered by the private market.

However, the acquisitions identified to date appear to overlap with existing programmes to develop public land and fund public housing, and may crowd-out private development. The first proposed acquisition of the fund is Ferncliffe Farms - a mature development opportunity in Tauranga being marketed by Bayleys.

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Commented [HE1]: Suggest add extra point to make it clear your concerns. "We are concerned that Kāinga Ora is progressing land acquisitions without clear direction from Ministers being in place e.g. Tauriko West."

Commented [HE2]: Kāinga Ora looking to put more density on the land than private developers would. Yes, it would be developed but much lower density.

Recommended Action

We recommend that you:

- a **note** that the overarching purpose of the Housing Acceleration Fund is to enable public and private developers to overcome barriers to bringing housing to the market quickly, and to provide for a greater level of scale and housing affordability than would otherwise occur

Noted.

- b **note** that the overlap in objectives between both demand and supply-side support for housing projects highlighted in this report is likely to:

- i. reduce certainty over what each programme will achieve;
- ii. increase the risk of public funds maintaining or increasing urban land prices rather than reducing them; and
- iii. reduce visibility of public support being provided for a particular development or to a household acquiring a dwelling, while increasing contributions to both

Noted.

- c **note** requiring a clearer delineation of the roles of housing support programmes and improved coordination between them would have efficiency and effectiveness benefits

Noted.

- d **agree** to discuss with the Minister of Housing the commissioning of advice from her officials and the Treasury on how to best give effect to Recommendation (c) above

Agree/disagree.

Land for Housing Programme

- e **note** Treasury supports the recommended actions in the briefing "Land for Housing Programme settings", BRF20/21050968, dated 2 July 2021

Noted.

Affordable Housing Fund

- f **agree** to discuss the Affordable Housing Fund ("AHF") with the Minister of Housing, s9(2)(f)(iv)

Agree/disagree.

Kāinga Ora Land Programme

- g **note** that Kāinga Ora has signed a conditional contract will place a deposit on Ferncliffe Farms in Tauranga as the first acquisition of its land fund

Noted.

- h **note** that the Ferncliffe Farms acquisition by Kāinga Ora has been committed ahead of you considering programme design/implementation or appropriate consultation

Noted.

- i **confirm** that your expectation is that Kāinga Ora's land acquisition programme will focus on acquisitions of land where they are either overcoming barriers to private development or providing significantly better housing outcomes than would be likely to occur with private development of that land

Agree/disagree.

- j s9(2)(f)(iv)

- k **confirm** that it is also your expectation that Kāinga Ora's land acquisition programme will focus on acquisitions of privately-held land

Agree/disagree.

- l **do not agree** to the recommended actions in the briefing "Implementing the Kāinga Ora Land Programme", BRF20/21050950, dated 1 July 2021

Agree/disagree.

- m **agree** to discuss Kāinga Ora's approach to land acquisitions with the Minister of Housing

Agree/disagree.

- n **commission** advice from officials on how to put greater controls around the land acquisition fund being established by Kāinga Ora to reflect the outcome of your discussions with the Minister of Housing

Agree/disagree.

- o **refer** this report to the Minister of Housing

Refer/not referred.

John Beaglehole
Acting Manager

Hon Grant Robertson
Minister of Finance

Treasury Report: Housing Acceleration Fund

Purpose of Report

1. You have received three papers relating to the Housing Acceleration Fund (HAF):
 - a *Land for Housing Programme settings*, BRF20/21050968 (“Paper 1”), for your agreement
 - b *Affordable Housing Fund – proposed policy and draft design*, BRF20/215098 (“Paper 2”), for your information
 - c *Implementing the Kāinga Ora Land Programme*, BRF20/21050950 (“Paper 3”) for your agreement.
2. While Treasury feedback on the papers was partially incorporated, several significant points were not adequately addressed.
3. Paper 1 is supported, with advice in this report focusing on Papers 2 and 3. The report also draws upon recent work by Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (“MHUD”) on purpose-built rentals, which you may receive.

Background

4. Cabinet agreed the Housing Acceleration Fund (HAF) as part of the paper Increasing Housing Supply and Improving Affordability for First Home Buyers and Renters, CAB-21-MIN-0061. This included:
 - a the establishment of an infrastructure fund;
 - b a repurposing of the Residential Development Response Fund to be the Affordable Housing Fund (“AHF”);
 - c the establishment of a Kāinga Ora (KO) Land Programme; and
 - d an expansion of mandate for Land for Housing (“LfH”).
5. An expression of interest request (“EOI”) was released in June for the competitive component of the infrastructure fund and will close on 18 August. MHUD and KO worked well together to scope and produce a high-quality release in the time available to them. We have less visibility of the other components of the infrastructure fund but will keep your office updated as information becomes available.
6. The remaining three limbs of the HAF are discussed in this report.

7. MHUD has raised issues being faced by international and domestic developers of purpose build rentals in context of housing affordability advice, the most recent report may be forwarded to you as it relates primarily to tax issues. MHUD have also provided a briefing on wider rental market support, that Minister Woods may forward to you s9(2)(f)(iv).
8. You and the Minister of Housing and Urban Development agreed that Land for Housing would stay with MHUD when KiwiBuild was transferred to KO, in order to allow for further engagement to be undertaken with iwi to ensure the Crown's Treaty settlement obligations were going to be met both then and in the future [as referenced in the paper supporting KO's establishment LEG-19-SUB-0060]. This is relevant to wider programme delivery/overlap issues discussed in this report.

Analysis

Overview – an overlapping landscape of housing support

9. There is now a wide range of housing supply and demand support programmes that seek the same or similar housing affordability outcomes. This overlap has the potential to reduce the certainty over what each programme will achieve and increases the risk that public funding maintains or increases urban land prices rather than putting pressure on them to reduce. It also means that there is reduced visibility over the total public spend provided to individual developments or on a per household basis.
10. The extent of potentially overlapping support can be seen clearly with regards to your home ownership objective. Any one or more of the following may be present:
 - a KO may take a reduced price for public housing land in order to enable a KiwiBuild price point to be reached;
 - b alternatively, LfH can provide deferred settlement on land sale, and provide an operating subsidy to achieve home ownership outcomes;
 - c infrastructure may be paid for in part by one of the new HAF funds;
 - d KiwiBuild may provide an underwrite of the affordable housing component of the development;
 - e a progressive home ownership ("PHO") provider may part-purchase one of the resulting houses with an interest-free Crown loan, and provide Crown-funded services support to its client through a rent-to-own product;
 - f the ultimate purchaser of a resulting dwelling may separately receive a:
 - i First Home Grant provided by the Crown,
 - ii First Home Loan underwritten by KO,
 - iii A PHO loan directly from KO once the direct scheme is launched, and
 - iv Accommodation Supplement (as a low-income household).
11. The extent of cumulative fiscal support is illustrated in Annex 1 of this report. Variants of programmes have also been introduced to better meet the needs of Māori or Pacific peoples. In respect of rental affordability, there are now several programmes that can support long-term rentals and subsidise rental rates, with broadly the same support

paths as for home ownership above (rather than the PHO, the new Affordable Housing Fund may provide s9(2)(f)(iv)).

12. The total public contribution to the developer for either affordable ownership or affordable rental in a given development is not necessarily agreed at the outset or reported once complete. This significantly hinders any monitoring or evaluation of programme or objective-level achievement (e.g. KiwiBuild or home ownership).
13. Historically, coordination across and between housing programmes has been poor. Although it has improved since the formation of MHUD, the additional programmes introduced since its formation have increased the complexity of the landscape. For instance, KO and MHUD both have delivery roles with deal-origination/procurement teams and related legal, commercial, and communications advisors. The Tāmaki Regeneration Company works alongside all these programmes in an increasing range of housing and social supports in Tāmaki. Various other Crown agencies are involved in delivering housing supply or support programmes.
14. The introduction of the new funds under the HAF provides an opportunity to consider the wider housing support environment. We consider there is a need for a rigorously enforced information sharing protocol across the programmes, clearly identified leads for different types of land acquisition, clear leads for the funding of different housing solutions, and a process for consolidating the negotiation of different funding streams for a project once it crosses a set cost threshold.
15. A table illustrating how roles could be delineated is attached as Annex 1. We also believe that MHUD and KO's roles in a more delineated housing support system could change. Three changes worth more detailed analysis are:
 - a All land acquisition programmes could move to KO (as discussed below, requiring agreement with affected iwi);
 - b The reamalgamation of TRC with KO; and
 - c Community housing sector support, including for their supply of IRRS-funded public housing places, could be consolidated within KO. The competitive aspects and division of roles created by the Social Housing Reform Programme may no longer be relevant or fit for purpose - the priority now is enabling developments that meet Crown objectives to proceed with pace and on mixed-tenure communities. KO is already implementing partnerships with local government providers of housing, Māori housing entities, and a wide range of developers.
16. We recommend you emphasise the need to align objectives to support role-clarity, monitoring, and evaluation of performance with the Minister of Housing, and commission advice from MHUD and Treasury officials on options to achieve this.

Land for Housing Programme settings ("Paper 1")

17. Paper 1 seeks your agreement to adjustments to the settings for the Land for Housing Programme ("LfH") in order to give effect to CAB-21-MIN-0061. The changes are to:
 - a increase the mandate for LfH housing support s9(2)(f)(iv) within its subsidised development outcomes alongside KiwiBuild and public housing targets, and
 - b reflect that increased mandate by changing the current development outcomes s9(2)(f)(iv)

18. We recommend you support the decisions sought in this paper. Both changes are in line with what Cabinet agreed. s9(2)(f)(iv) [redacted], and the additional expenditure to achieve non-market development outcomes is relatively low (\$50m). It is within your mandate to agree these changes. Land for Housing currently has the mandate to acquire both public and private land, but its focus to date has been on public land.
19. The cross-over created by the expanded mandate emphasises the need for effective management across housing support programmes. Should you agree there is an opportunity to provide greater alignment in housing support, officials could also test whether iwi relationships with KO have reached the point whether LfH can transfer to KO (with the agreement of iwi affected, given the relatively low number of transactions and rohe affected by the programme). This would allow for the two land acquisition programmes to integrate and might provide enhanced opportunities for iwi partners (as outlined on page 11 of the briefing "Implementing the KO Land Programme").
20. MHUD would continue to lead policy and the formal Crown-Māori relationship, but KO would play an increased delivery role in joint projects as originally intended in the working documents for the (then proposed) Housing Commission. An interim step could be acquisition processes consolidated in KO, with MHUD retaining the negotiation of Development Agreements for acquired Crown land with iwi.

Affordable Housing Fund – proposed policy and draft design ("Paper 2")

21. Paper 2 has been forwarded to you for your information, rather than seeking your agreement. We do not agree with the approach proposed in the paper and recommend you discuss an alternative s9(2)(f)(iv) [redacted] with the Minister of Housing.

22. s9(2)(f)(iv) [redacted]

23. [redacted]

24. [redacted]

25. [redacted]

26. s9(2)(f)(iv)

27.

28.

29.

30. We recommend you discuss this paper and our proposed change in focus for the AHF with the Minister of Housing.

Implementing the Kāinga Ora Land Programme (“Paper 3”)

31. Paper 3 seeks your agreement to the objectives for the KO Land Programme and provides an outline of how KO will select sites for acquisition. It highlights how KO will give effect to Cabinet Office Circular CO (19) 6: *Investment Management and Asset Performance in the State Services* and seek Ministerial authorisation for use of statutory powers as set out in relevant legislation.

32. The paper raises several issues that we consider you should be better consulted on, and we recommend that you do not agree to the actions sought. We expand on these issues and provide an alternative way forward below.

33. The Cabinet paper outlining the KO Land Programme agreed under CAB-21-MIN-0061 described the special abilities KO had to address land banking and land fragmentation, capture the benefits of up-zoning (especially where new public infrastructure was to be provided), and enable outcomes the market would not deliver (increased density, mix of housing, speed to completion, catalysing developments that would not otherwise be commercial, continued investment through housing cycles).

Commented [HE3]: This para is too narrow a view about the Kāinga Ora Land Programme – it’s not just about bringing new land to market, its also about developing land to increase the “pace, scale, and mix of housing developments, including more affordable housing” [rec 5 Cab minute]. This is further set out in para 67 body of HAF Cabinet paper.

34. The programme might involve the acquisition of land before planning permissions and infrastructure was in place in order to capture value uplift, overriding planning constraints to do the same, using powers of compulsion to address hold outs and land fragmentation, and target land bankers in particular. This is not consistent with the purchase of publicly-owned land well within current urban areas, or well-connected large private holdings being marketed for private development.

35. KO has entered into a conditional contract and will pay a deposit on Ferncliffe Farms on 9 July as the first potential acquisition under the programme. They have indicated their due-diligence has shown the property could up to 1,000 homes. The property is being marketed on the Bayleys website as a rare development opportunity, including:

- a a masterplan development with the potential to yield up to 1,000 residential lots;
- b one of the largest remaining residential development land holdings in Tauranga;
- c desirable location with close proximity to Tauranga Crossing Shopping Centre, Tauriko Business Estate and Tauranga CBD;
- d connectivity to main arterial transportation routes and city infrastructure;
- e adjacent to the sold out *The Lakes* residential subdivision; and with
- f aid from Tauranga City Council in seeking medium density (minimum 20 lots per hectare) outcomes for the Urban Growth Area.

36. There is a substantial data room linked off the online advertisement, including documentation on economic, landscaping, cultural, archaeological, ecological, geotechnical, engineering, transport, and site yield data.

37. The information appended to Paper 3 in Annex 2 to support the acquisition was not seen by the Treasury prior to the report being sent. While Tauriko West was provided as an example in an earlier draft, it did not contain the detail included in the Annex. We were not aware it had been discussed with the Minister of Housing, and we understand that she has not received nor have we seen any a briefing to her on it.
s9(2)(b)(ii) and s9(2)(f)(iv)

38. s9(2)(b)(ii) and s9(2)(f)(iv)

39.

40.

Commented [HE4]: Before going unconditional this requires Cab approval and Kāinga Ora will need to demonstrate how purchase of this land will deliver public benefits as set out the Cabinet paper and as proposed in the briefing.

Commented [HE5]: Suggest delete this as it was just an example, no decisions have been taken yet – Ministers will be briefed and Cabinet will be consulted.

Commented [HE6]: Note point above re Cabinet agreement needed.

s9(2)(b)(ii) and s9(2)(f)(iv)

41. s9(2)(b)(ii) and s9(2)(f)(iv) [redacted], KO is already funded to acquire and develop sites for public housing use and that is not the primary purpose of this programme. s9(2)(b)(ii) and s9(2)(f)(iv) [redacted]. The list also indicates a high level of overlap with the Land for Housing program.
42. If you are not confident that the proposed acquisitions meet your expectations, we recommend you clarify KO's mandate with them, and seek advice from officials on how best to ensure your objectives are given effect.

Commented [HE7]: This is the purpose of the KO Land Programme paper. Turiko West was just an example of the type of project that could meet the requirements. This isn't approval of TW.

Next Steps

43. If you agree with the Recommendations in this report, you will meet with the Minister of Housing to commission advice from officials and provide guidance to KO.
44. Alternatively, if the papers give effect to your intentions:
- a KO will consult with you on their purchase of Ferncliffe Farms prior to MHUD drafting a Cabinet paper to progress the development, and you will receive a further report on performance indicators for their land programme in July.
 - b HUD will provide further implementation advice on the AHF to the Minister of Housing in August, to inform a Cabinet paper in September.
45. Under either option we support the expanded mandate for Land for Housing, and MHUD will give effect to it in their negotiations on acquired sites with development partners. All Land for Housing development agreements will come to you for approval.
46. We will provide you with an update on the outcome of the EOI for the competitive component of the infrastructure fund after it has concluded in September.

From: Bastiaan van der Scheer [TSY]
Sent: Thursday, 8 July 2021 3:26 pm
To: Hilary Eade
Subject: Re: Draft TR on HAF briefings

Thanks, will correct with the office

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From: Hilary Eade <Hilary.Eade@hud.govt.nz>
Sent: Thursday, July 8, 2021 3:14:21 PM
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; ^HUD: Nick McNabb <nick.mcnabb@hud.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>
Subject: RE: Draft TR on HAF briefings

Thanks Bastiaan – just picked up your point about \$10 million to pay for debt servicing etc. The \$10 million pa is just for non-commercial outcomes – the interest and development risks will be paid for from the balance of the \$46 million pa.

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Thursday, 8 July 2021 2:51 PM
To: Hilary Eade <Hilary.Eade@hud.govt.nz>
Cc: Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>; Nick McNabb <Nick.McNabb@hud.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>
Subject: RE: Draft TR on HAF briefings

Thanks Hilary

I've been involved with LfH for a while and had no issues with the public benefits as described in the paper expanding its mandate or proposed for KO. My concern with the TW acquisition on the KO version of LfH is that the price will already factor in its very high development potential, per <https://www.bayleys.co.nz/2501939> and the feedback on the property from our IFF team.

If KO are going to do something that the market wouldn't they need to be able to capture uplift somehow to pay for it. Upzoning, amalgamating sections, putting in the infrastructure etc. They only have \$10m per annum to service debt, absorb write-downs, and pay for housing objectives. Other than proceeding at pace with this development I don't see any great cards given both Bayleys and they seem to agree on 1,000 sites – but as per the report, if they have the cards am happy to see.

The latter point gets to the issue of consultation and coordination highlighted in the TR. They also aren't supposed to be using this fund for outright public housing purchases and seem to be getting out well ahead of the AHF being agreed (as well as their own objectives).

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**
Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

Please note I work irregular hours, please call me for anything urgent



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From: Hilary Eade <Hilary.Eade@hud.govt.nz>
Sent: Thursday, 8 July 2021 2:37 pm
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; ^HUD: Nick McNabb <nick.mcnabb@hud.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>
Subject: RE: Draft TR on HAF briefings

Thanks Bastiaan – appreciate this. Let’s get together next week to discuss some specific examples of how the Land Programme might be applied to tease out any difference in view on the public benefits. Nick is going to set this up.

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Thursday, 8 July 2021 2:27 PM
To: Hilary Eade <Hilary.Eade@hud.govt.nz>
Cc: Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>
Subject: RE: Draft TR on HAF briefings

Hi Hilary, appreciated and incorporated. I wasn’t entirely sure what the comment about too narrow-a scope for describing the land programme was, as the text you provided was pretty much the same as already used in the TR to describe what KO could do and I drew on the Cab paper. In any case I’ve redrafted for (hopefully) greater clarity. Final attached, sounds like the offices are already discussing as I’ve just fielded a call.

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Hilary Eade <Hilary.Eade@hud.govt.nz>
Sent: Thursday, 8 July 2021 1:36 pm
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>
Subject: RE: Draft TR on HAF briefings

Hi Bastiaan

Thanks for sharing. As discussed, attached are our comments -tried to be constructive about where we think changes should be made.

Happy to discuss, just call me.

Ngā mihi
Hilary

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Thursday, 8 July 2021 10:39 AM
To: Hilary Eade <Hilary.Eade@hud.govt.nz>
Cc: Naomi Stephen-Smith <Naomi.Stephen-Smith@hud.govt.nz>; John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>
Subject: Draft TR on HAF briefings

Hi Hilary

Our draft advice on the HAF briefings is attached. Happy to take feedback.

Apologies for the lack of time, I was drafting it last night.

Sign-out will be shortly after midday and we'll be sending it in our 2pm bag today.

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Glen Thomson [TSY]
Sent: Wednesday, 4 August 2021 8:39 am
To: Linda Taylor
Cc: Bastiaan van der Scheer [TSY]; John Beaglehole [TSY]
Subject: RE: Treasury advice to MoF
Attachments: SIGNED Treasury Report T2021-1762 Housing Acceleration Fund.pdf

Mōrena, Linda,

I think this is the paper that you are referring to. Best to go direct to Bastiaan with any questions, noting that he does not work on Wednesdays.

Ngā mihi,

Glen



TE TAI ŌHANGA
THE TREASURY

Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

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From: Linda Taylor <linda.taylor@kaingaora.govt.nz>
Sent: Tuesday, 3 August 2021 5:01 PM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Subject: Treasury advice to MoF

Hi Glen

Is there any chance we could see a copy of the Treasury advice to the Minister of Finance on the proposed Kāinga Ora Land Programme objectives and criteria?

We are prepping for a meeting with Ministers next week that will discuss how Kāinga Ora will deliver outcomes different from the market and it would be helpful to see what Treasury's specific concerns were.

Thanks

Linda



Linda Taylor

Chief Advisor
Urban Planning and Design

Phone: s 9(2)(g)(ii)

Email: linda.taylor@kaingaora.govt.nz

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Please:

- (1) reply promptly to that effect, and remove this email, any attachment and the reply from your system;
- (2) do not use, disclose or act on this email in any other way. Thank you.

From: Glen Thomson [TSY]
Sent: Wednesday, 21 July 2021 10:33 am
To: Tony Parish [TSY]; Gateway Unit [TSY]
Cc: procurementplanning@mbie.govt.nz; Margaret.Pearson@mbie.govt.nz; hamish.james@stats.govt.nz; Alessandro Aduso; Hedy Manders [TSY]; Lisa King [TSY]; Better Business Cases [TSY]; Arati Waldegrave [DPMC]; Jamie.Emmens@publicservice.govt.nz; Alex Smith [TSY]; Peter.Murray; Jonathon Clark; Julie Chuor; brendan.herder; Katie.Wellington@hud.govt.nz; Saskia.Patton@hud.govt.nz; Craig Murphy [TSY]; Geoff Nicholls; Steph Greig [TSY]; Dallas.Welch; John Beaglehole [TSY]; Bastiaan van der Scheer [TSY]
Subject: RE: Request for comment on risk: Kainga Ora - Homes and Communities - Kainga Ora Land Programme
Attachments: Kainga Ora Land Programme.docx

Mōrena Tony,

Thank you for copying me in. Attached is some feedback on the RPA from Treasury's Housing and Urban Growth team.

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

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From: Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>
Sent: Monday, 19 July 2021 3:38 PM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Subject: FW: Request for comment on risk: Kāinga Ora - Homes and Communities - Kāinga Ora Land Programme
Importance: High

Sorry Glen,

This should have also been copied to you.

Please copy all with your considered response. Note that HUD and Infracom and others are copied.

Regards

Tony.

From: Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>
Sent: Monday, 19 July 2021 2:33 pm
To: Margaret.Pearson@mbie.govt.nz; hamish.james@stats.govt.nz; Alessandro Aduso <Alessandro.Aduso@stats.govt.nz>; Hedy Manders [TSY] <Hedy.Manders@treasury.govt.nz>; Lisa King [TSY] <Lisa.King@treasury.govt.nz>; Better Business Cases [TSY] <Better.BusinessCases@treasury.govt.nz>; Arati Waldegrave [DPMC] <Arati.Waldegrave@dpmc.govt.nz>; Jamie.Emmens@publicservice.govt.nz; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Alex Smith [TSY] <Alex.Smith@treasury.govt.nz>; Peter.Murray

<Peter.Murray@infracom.govt.nz>; Jonathon Clark <Jonathon.clark@infracom.govt.nz>; Julie Chuor <julie.chuor@infracom.govt.nz>; brendan.herder <brendan.herder@infracom.govt.nz>; Katie.Wellington@hud.govt.nz; Saskia.Patton@hud.govt.nz
Cc: Craig Murphy [TSY] <Craig.Murphy@treasury.govt.nz>; Geoff Nicholls <geoff.nicholls@treasury.govt.nz>; Steph Greig [TSY] <Steph.Greig@treasury.govt.nz>; Dallas.Welch <Dallas.Welch@publicservice.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>
Subject: Request for comment on risk: Kāinga Ora - Homes and Communities - Kāinga Ora Land Programme
Importance: High

Good afternoon

So that we can develop a united central/monitoring agency view of risk for a major project/programme, I have forwarded for your review a Risk Profile Assessment (RPA) completed by Kāinga Ora - Homes and Communities for its Kāinga Ora Land Programme.

Please note - This is a 'programme level' RPA from Kainga Ora for land purchases. The RPA covers potentially many high value projects for land purchases across the country. There has been some discussion on whether this level of RPA is too high, and whether risk assessment for individual projects is more appropriate. We want to receive RPAs to provide visibility, if we receive too many it may have the opposite effect.

At this stage it is proposed that we receive 'programme level' RPAs, where the projects within the programme will be treated as having the same risk profile as the programme. By receiving RPAs at this level does not dilute any expectations for business cases or reporting at a project level. We would expect programme level reporting to expose appropriate details of all projects within the programme.

Please consider the 'level' of this RPA when reviewing and include any comments in your moderation response on whether you think this level of RPA is too high, too low, or just right.

The agency's initial self-assessed rating is **MEDIUM** Risk.

Please consider the RPA based on your own understanding of the project and of the agency's capability.

We send the RPA to reviewers who we believe may have a different perspective and better understanding of the project and the agency (and its capabilities), and be able to offer insights on the real risk level. A project does not for instance need to match the rating of a similar project in another agency – circumstances and capabilities can be very different.

Feel free to send this for comment to other people in your team, if appropriate.

Sometimes one or two reviewers will have some insights that lead to a change in the risk rating; this can be based on expert knowledge; it does not need to be supported by the RPA score!

- **If you agree with this rating, please reply to me to confirm.**
- **If you disagree with this initial rating, or are unsure of the project's risk level, please review the RPA and comment as follows:**
 1. Do you disagree with any of their answers? Why?
 2. Are there any factors not included in the RPA, or not given sufficient weighting, that you believe warrant a different rating being assigned?
 3. Do you need further information, or want a meeting with other central agencies, to be comfortable that the rating is appropriate?

I would be grateful for your response by **EOB (today +3 days) Thursday 22 July 2021**. With replies please use 'Reply All'

Deemed acceptance:

If I do not hear from you by this deadline, I will assume that you are satisfied with the risk rating as it stands in the RPA or as amended by Treasury or other reviewers.

Kind regards
Denise



Denise Walker | Programme Coordinator | Investment Management & Asset Performance (IMAP) | **Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) Email/IM: Denise.Walker@treasury.govt.nz

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From: Grace Xu <Grace.Xu@hud.govt.nz>
Sent: Tuesday, 27 July 2021 5:30 pm
To: Katie Wellington; Robert Murray; Kristin Aitken; Tony Parish [TSY]
Cc: Bastiaan van der Scheer [TSY]; ^Hud: Glenn Phillips; Glen Thomson [TSY]
Subject: FW: Land Programme Business Casing process - meeting notes on 27 July 2021

Hi Katie,

I think we clarified and agreed on quite a bit from this afternoon's meeting and thank you Tony, Rob and Kristin for your discussion, see below. @Tony Parish [TSY]@Robert Murray@Kristin Aitken, feel free to revise my meeting notes below to ensure accuracy, by **no later than mid-day Thur 27 July**.

Meeting notes for meeting on 27 July 2021, Land Programme Business Casing process

- Agreed \$46m operating appropriation would not be a trigger for 'new Crown funding/support' in the Cab Circular 19(6), Rob will reflect this in the report back to Ministers for clarity.
- Agreed in line with Cab Circular 19(6), significant track investments require Board approval and consultation with responsible Ministers, Ministers may choose to consult with Cabinet. Significant track investments are, as per KO, broadly: worth \$50m or more; new Crown funding source required; unique third party interests; or other circumstances specified in CO (19) 6.
- Agreed on two stage business case process in line with KO's current Investment Management Framework. The first is the Project Brief (Indicative Business Case) – this needs to capture enough of the development assumptions and risks; the second is a full business case built on further development proposals/details – this second business case also follows the same Board approval, consultation with Ministers/Cabinet process.
- Agreed, and taking learnings from current Ferncliffe engagement, KO must ensure Project Brief is complete first to enable HUD to prepare advice to Ministers/Cabinet. KO has done internal thinking to build in sufficient time for ministerial engagement in their IMF and internal sign-off process.
- Agreed to meet again in 1-2 weeks once KO has done further thinking to agree on key elements of the land acquisition project brief. This will help Rob complete report back to Ministers.
- Treasury confirmed RPA has been moderated high for the Land Programme. This means, for significant track, RPA needs to be completed at Project Brief stage for each significant track investment, including for Ferncliffe.

Ngā mihi

Grace Xu

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From: Grace Xu
Sent: 26 July 2021 08:16
To: 'Linda Taylor' <linda.taylor@kaingaora.govt.nz>
Cc: Simon Floris <Simon.Floris@kaingaora.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>; Ingrid Arnestedt

<Ingrid.Arnestedt@kaingaora.govt.nz>; Gina Butson <Gina.Butson@kaingaora.govt.nz>

Subject: RE: Land Programme Business Casing process - please reply COB Fri 23 July if possible

Thanks Linda,

I'm sending invite for 4pm on Tue.

Agenda as follows:

Kāinga Ora Land Programme Business Casing process

Purpose of the meeting is to agree in principle on base casing process and steps for KO Land Programme (which will inform Rob's report back briefing to Ministers)

Agenda:

1. Expectations on ministerial decisions in line with Cab Circular 19(06)
2. Business case requirements and nuances for the Land Programme
 1. Key elements for the land acquisition business case (project briefing)
 2. Next steps

Ngā mihi

Grace Xu

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From: Grace Xu <Grace.Xu@hud.govt.nz>
Sent: Tuesday, 3 August 2021 8:34 am
To: Glen Thomson [TSY]; Tony Parish [TSY]; Bastiaan van der Scheer [TSY]; Robert Murray
Cc: Kristin Aitken; ^Hud: Glenn Phillips
Subject: RE: KO Land Programme Business Casing requirements - your input on key ingredients of the land acquisition business case/project brief by 27 July
Attachments: Kainga Ora Land Programme Business case key ingredients.docx; Discuss adapting Project Brief for Land Programme; Gate 2 Significant Projects Brief Template.docx

Hi Glen/Baastian/Tony,

Just a couple of follow-ups, understand we are all busy:

- Could Treasury colleagues please confirm your attendance or not for tomorrow's meeting with KO?
- Could all please input into the Key ingredients proposed (nuanced for KO Land Acquisition) – see attached. If you have no further to add, please let me know as well. This will help us with our meeting discussion with KO tomorrow.

Please also find KO's Gate 2 sig. Project Brief template they use for all their indicative business cases. KO suggested this template will not change, but they acknowledge how it's filled out need to cater for land acquisitions.

Ngā mihi

Grace Xu

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From: Grace Xu

Sent: 26 July 2021 10:48

To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>

Cc: Kristin Aitken <Kristin.Aitken@hud.govt.nz>; Glenn Phillips (Glenn.Phillips@hud.govt.nz) <Glenn.Phillips@hud.govt.nz>

Subject: KO Land Programme Business Casing requirements - your input on key ingredients of the land acquisition business case/project brief by 27 July

Good morning everyone,

Thanks for last Fri's meeting talking through business casing expectations for Kāinga Ora Land Programme. I've scheduled the next meeting for HUD/TSY/KO on Tue 27 July to seek alignment on the business casing expectations.

In our meeting on 23 July, we identified certain key ingredients that need to be covered off in the Kāinga Ora land acquisition business case (project brief) to inform ministerial/Cabinet decision not only on land purchase but also subsequent development and risks. This will then be followed by a subsequent business case for the land

development. I've attempted to summarise the key ingredients for the land acquisition business case below – **could you please add extra below and revert by no later than 3pm Tue 27 July**. The plan is to share this with KO to help them frame up the future business case.

Key ingredients proposed (nuanced for KO Land Acquisition) – see attached.

@Tony Parish [TSY], please confirm you can make the meeting at 4pm tomorrow as the Treasury rep 😊.

Ngā mihi

Grace Xu

Principal Advisor Crown Entity Performance and Monitoring
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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Friday, 6 August 2021 4:39 pm
To: Grace Xu; Glen Thomson [TSY]
Cc: Bastiaan van der Scheer [TSY]; Tony Parish [TSY]
Subject: RE: Following today's meeting on Discuss adapting Project Brief for Land Programme -feedback by no later than COB Fri 6 Aug

Hi Grace,

I covered off most of my comments at the meeting.

I just have a couple of minor suggestions.

1. I'd suggest adding a few additional items to the due diligence list under the economic case (i.e. market analysis (including recent dwelling sales data), transport assessment, and education assessment (e.g. how quickly will the existing schools run out of classroom capacity?); and
2. including an assessment of the planning and consenting risks (e.g. appeals), implications and mitigations under the 'development costs and risks' heading.

Regards,

Rob

From: Grace Xu <Grace.Xu@hud.govt.nz>
Sent: Friday, 6 August 2021 12:48 PM
To: Glen Thomson - Treasury <Glen.Thomson@treasury.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>
Cc: Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>
Subject: RE: Following today's meeting on Discuss adapting Project Brief for Land Programme -feedback by no later than COB Fri 6 Aug

Thank you Glen for writing this up, I'll incorporate.

[@Robert Murray](#), just checking whether you'll provide your edits too as I notice you did have your written edits at the meeting.

And Glen, agree to not finalise this until objectives being finalised and Rob's report back. Also my preference is to wait till Ferncliffe Indicative case is complete, as we need to continue building this from the live case.

Ngā mihi

Grace Xu

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From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: 06 August 2021 12:22
To: Grace Xu <Grace.Xu@hud.govt.nz>
Cc: Bastiaan Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>
Subject: RE: Following today's meeting on Discuss adapting Project Brief for Land Programme -feedback by no later than COB Fri 6 Aug

Hi Grace,

I thought the key ingredients document was a really good way to start the discussion. I provided most of my feedback at the meeting earlier this week. I'll summarise that below.

Bastiaan, I am conscious that you have not had a chance to look at this in much detail. Feel free to extemporise in response to by comments below, particularly if you disagree.

There is one caveat to all of our feedback on this issue, which is that we should avoid finalising the business case requirements until Ministers nail down their objectives for the Land Programme. How quickly that happens will depend on how well the report Rob is preparing reflects MoF's requirements.

Strategic Case

Reiterating the need for the strategic case to be specific to both the objectives of the land programme and the specifics of the site, rather than "It contributes to achieving Kāinga Ora's statutory objectives".

The reference to transport links is a bit narrow, and doesn't reflect the complexities of these developments. Suggest you include connections to spatial plans, Central and Local Government capital programmes/initiatives, the outcome of place based work, public housing programme and other relevant programmes (IFF etc).

The discussion of unique offering needs to include a focus on regulatory levers that Kāinga Ora can use that are not readily available to the private sector, and functions Kāinga Ora can perform that are not performed elsewhere. For example, will development of the site require Kāinga Ora to use its UDA powers, establish an SDP, or use compulsory acquisition powers. Is there an outcome that these powers will deliver (land aggregation, increased pace of development) that could not be achieved another way.

The discussion of risk touches on constraints and dependencies. You might separate out stakeholders as its own bullet and expand to cover a broader range of infrastructure related agencies, and the wealth of issues that drive out of asset design, ownership and complexity of funding and financing issues, i.e. we should expect that future projects won't be too much different to current ones and address they types of risks/issues we see in the LSP's up front.

The strategic section might usefully discuss, what happens if Kāinga Ora doesn't do this, both from the perspective of the site (what is the most likely development outcome), and the opportunity cost for Kāinga Ora (if we do this we won't be able to do that).

Economic Case

Here or elsewhere in the case there needs to be a discussion of development options, staging options, and off-ramps. Options should be informed by key decision points that drive costs.

It's important that discussion on "on-selling conditions" is balanced by discussion of the cost implications of these (which where relevant should be treated as non-commercial outcomes).

Rather than "Why this funding and financing option" perhaps "Discussion of funding and financing options".

The discussion of cost should be broader, and needs to consider fiscal implications from both a Kāinga Ora and a Crown perspective. Fiscal issues are wider than the non-commercial outcomes procured. If, for example, the development concept is to deliver a level of public housing the case needs to signal that a formal decision to procure that public housing comes with an increase in IRRS (or that the development underpins an existing PH delivery commitment).

Financial Case

As with the economic case, financial implications need to be approached from both a Crown and a Kāinga Ora perspective (most of KO's revenues are direct Crown costs).

Good to see debt recycling included here. That could usefully be supplemented with discussion of the disposition and headroom available from the \$2 billion borrowing approval.

Thanks again for the opportunity to comment. Have a good weekend!

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

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From: Grace Xu <Grace.Xu@hud.govt.nz>

Sent: Wednesday, 4 August 2021 3:26 PM

To: Linda Taylor <linda.taylor@kaingaora.govt.nz>; Andrew Barker - Kaingaora <Andrew.barker@kaingaora.govt.nz>; Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>; Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>

Cc: Ingrid Arnedstedt <Ingrid.Arnedstedt@kaingaora.govt.nz>; Lay Chin Wan <LayChin.Wan@kaingaora.govt.nz>; Kate Randell <Kate.Randell@kaingaora.govt.nz>; Kristin Aitken <Kristin.Aitken@hud.govt.nz>

Subject: Following today's meeting on Discuss adapting Project Brief for Land Programme -feedback by no later than COB Fri 6 Aug

Thank you everyone for the meeting discussion.

I'm sending the attached out now while the iron is hot. I hope the discussion has been useful to get us all think about what's key to the land acquisition project brief. As discussed, I'd be grateful if you could provide further input into the above document by no later than COB Fri 6 Aug. We will use this document to inform Rob's report back (the business case component).

This document will be draft at this point. I'm hoping to transfer learnings from the actual Ferncliffe case, so that this document can be refined further for Kāinga Ora to consider to inform future land acquisition business cases.

Again, reminder to hear back from you **by no later than COB Fri 6 Aug.**

Ngā mihi

Grace Xu

Principal Advisor Crown Entity Performance and Monitoring

Received from MHUD via email as attachment

Related email "Significant Project brief/indicative business case Ferncliffe Farm"

Friday 20/08/2021 12:14 pm

Kāinga Ora Land Programme Business case key ingredients

[Note: This following text was extracted from a working document, which is still being refined]

Strategic Case – making the case for change

- outline how the proposal fits within the government and organisation's strategic context and strategic intentions including:
 - At strategic level, cover the programme level alignment to policy objectives
 - Specific development objectives and link directly to the strategic intent of the Kāinga Ora Land Programme (e.g. why this site/location and why this investment; link to transport nodes and amenities, connection to special plans, PHP, place-based approach; the joined-up approach to programme)
 - What's the stakeholders' inputs into this – e.g. discussions with partners in the area, Māori engagement to date or proposed; targeted Māori outcomes sought
 - Potential use of UDA powers (SDP, compulsory acquisitions)
 - **Tell the story**
- confirm the need for investment – be specific
 - What's the Kāinga Ora value proposition that's different from other developers (e.g. overcoming barriers, better housing outcomes-tenure mix, density, volume, pace, affordability and cost implications/direct subsidy that catalyses developments that would not otherwise be commercial)? What happens if KO doesn't do this?
 - What are the direct and indirect benefits of the proposal (the value uplift e.g. through land aggregation, re-zoning, overcoming infrastructure and other constraints and non-market transactions)
- What are the main risks?
 - Constraints, dependencies and assumptions (e.g. contamination, wetland provision, dependencies with working with others – Waka Kotahi, MoE, local government)

Economic Case

- Consider the feasibility, costs, benefits and risks of the proposal
 - Summary of due diligence assessment that informs the economic case and suitability for housing development (e.g. legal, geotechnical, zoning and planning, contamination, timeline and risks, bulk and location assessments; compare highest best use valuation and residual value to ensure fair value for purchase)
 - How Kāinga Ora intends to develop the land and the proposed dwelling yield, typology or the mix of housing (public, affordable and market); projected total build in xxx years
 - Proposed on-selling conditions to ensure policy objectives are met; understand trade-offs behind various policy choices (e.g. tenure mix, and costs and benefits)
 - the timeframe over which plan changes and subsequent development might occur
 - Funding and financing options (e.g. IFF, SDPs)

- Options, off-ramps, staging, what key decision costs that drive step-changes/costs; e.g. choices around supporting any particular transport outcomes;
- Development costs and risks
 - how is the land use optimised; the potential cost range of development and infrastructure options, and fiscal implications of any non-market outcomes being sought
 - Discuss both fiscal (flushing out impact of project decisions on Crown going forward, e.g. PHP delivery and future IRRS), and financial implications -best guess

Commercial Case

- show that the organisation has done the planning required to prepare the proposal for procurement
 - Procurement Plan
 - Contractual arrangements

Financial Case

- Outline funding arrangements and financial implications for the preferred option
 - Project specific financial information: describes the financial implications of the direct land acquisition AND the whole of life commitment for the development and how costs will be recouped (debt recycling)
 - Describe costs for non-commercial outcomes (policy driven losses on sale) to be funded from the operating appropriation

Management Case

- show the necessary management arrangements are in place for the successful delivery of the project
- how to ensure delivery of project and benefits, how to manage project risks
 - Project governance and assurance, roles and responsibilities
 - Delivery plan and milestones

Withheld out of scope of request

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: Monday, September 6, 2021 7:49:09 AM
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Subject: FW: KOLP - project template comments and strategic framework slides

Kia ora,

Looks like Kāinga Ora are pushing back on having a strategy, and there is a hint that they might s9(2)(g)(i)
[REDACTED], so if you are available, that would be great. If not, that's ok, I just won't agree to anything.

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

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From: Ingrid Arnedstedt <Ingrid.Arnedstedt@kaingaora.govt.nz>
Sent: Saturday, 4 September 2021 9:05 AM
To: robert.murray@hud.govt.nz
Cc: jane.keane@hud.govt.nz; grace.xu@hud.govt.nz; Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Andrew Barker <Andrew.Barker@kaingaora.govt.nz>; Linda Taylor <linda.taylor@kaingaora.govt.nz>; Tuhi Isaachsen <Tuhi.Isaachsen@kaingaora.govt.nz>
Subject: KOLP - project template comments and strategic framework slides

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Kia ora Rob,

Apologies for the late Friday email but as noted in our feedback sent yesterday we had some additional comments to provide on the draft project template. I've attached those now, noting it reflects our concerns around the level of detail and certainty we can offer to Ministers at the early stages of an opportunity.

I've also attached a few contextual slides that set out Kāinga Ora's strategic framework which should help with our discussion on Monday. Tuhi Isaachsen, Director Strategy, may join us as well.

Have a great weekend!

Ngā mihi,
Ingrid



Ingrid Arnedstedt (she/her)

Principal Advisor
Strategic Urban Partnerships
Urban Planning and Design

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Mahi Tahī
Better Together

Whanake
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PO Box 2628 Wellington 6140 | New Zealand Government | www.kaingaora.govt.nz

From: Claire Callard <Claire.Callard@kaingaora.govt.nz>
Sent: Thursday, 16 September 2021 11:04 am
To: Christian Hurzeler; Ward, Stephanie J; Saskia Patton; Nicole.VanHeijst@hud.govt.nz; Tony Parish [TSY]; Ben Wells [TSY]; Glen Thomson [TSY]
Cc: Mandy Quantock; paul.kos@hud.govt.nz
Subject: Meeting notes - LSP investment objectives and economic options
Attachments: DRAFT LSP workshop - investment objectives and economic options - meeting notes - 14 Sept.docx

Mōrena koutou

Thank you for your time on Tuesday, please find attached draft meeting notes. Let us know if you'd like to edit/add anything.

Ngā mihi
Claire



Claire Callard

Principal Advisor
Large Scale Projects
Urban Development and Delivery

Mobile: s 9(2)(g)(ii)

Email: claire.callard@kaingaora.govt.nz

Catalina Workshops, 3 Boundary Road, Hobsonville, Auckland 0616 | Kāinga Ora – Homes and Communities
PO BOX 84143 Westgate Auckland 0657 | New Zealand Government | www.kaingaora.govt.nz

Please note, guidance material is publicly available on our website and has been removed from this release

General Project Information



Authorisation and General Project Information

Project Details

Department / Agency Name	Kāinga Ora - Homes and Communities
Portfolio	Housing Supply
Associated Programme	Kāinga Ora Land Programme
Project Name	Various projects - RPA at programme level
Project ID (Agency assigned)	
Project Current Stage	Startup (Planning, Strategic Assessment)
Next decision point/activity	
Estimated Whole-of-Life cost (\$m)	Operating funding of \$46m pa for life of the programme
Estimated Capital cost (\$m)	Up to \$2b debt financing
Estimated Benefits monetary (\$m)	N/A
non-monetary	<p>The Programme Objectives are to increase:</p> <ul style="list-style-type: none"> - supply of build ready land for housing and urban development - pave, scale, density and regional spread of housing development - proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own <p>Projects within the programme are required to present benefits specific to each investment</p>

Brief Project Description

General Project Information

This programme enables Kāinga Ora to acquire land in order to delivery housing supply that is genuinely additional to, and more affordable than, what the market might otherwise have delivered. This includes facilitating housng delivery in ways and palces that would not otherwise be vaiable or commercially attractive for private developers.

The programme's key value add includes its ability to:

- require certain development outcomes as a condition of on-selling land
- where appropriate bring some unique tools to bear that are not available to the private secor, including statutory land assembly and development powers
- coordinate its activities with other government investment to ensure that development capacity is optimised

General Project Information

What strategies does this investment align with? How does it support these strategies?

Government Priorities

Through enabling additional, and affordable, housing supply in key areas of demand this programme will support improved wellbeing for New Zealanders and their families

All of Government / Functional strategies

Agency/Sector/Ministerial strategies

HUD 2020 Priorities and Kāinga Ora SOI

Is the delivery of this solution dependent on any other projects or initiatives that will be delivered within or outside the organisation? If so, what are these projects or initiatives?

Generally, the programme is not dependent upon other projects and initiatives. Specific projects will have normal land development dependencies, such as RMA and infrastructure considerations, and some projects may be dependent upon other Government investments, such as Waka Kotahi/NZTA projects. These matters are dealt with on a project by project basis.

Authorisation to lodge this Risk Profile Assessment

Note: Agencies are required to acknowledge that the person submitting the completed Risk Profile Assessment (RPA), has the authority to do so on behalf of the Agency. Please complete the information below to identify the person authorising lodgement.

Authorising Officer's Details

First Name	Sam
Surname	Price
Job Title	Director, Investment Management Office
Telephone Number	s 9(2)(g)(ii)
Mobile Number	s 9(2)(g)(ii)
E-mail Address	Sam.Price@kaingaora.govt.nz

Acknowledgement

I acknowledge that I am authorised to submit the RPA in respect of the project identified above and that the information provided in the RPA accurately represents the Agency's position.

Project Contact Details

Senior Responsible Owner (SRO)

First Name	Katja
Surname	Leitz
Job Title	General Manager Urban Planning and Design
Address	7 Waterloo Quay
Town	Wellington
Postcode	6011
Telephone Number	
Mobile Number	s 9(2)(g)(ii)
E-mail Address	katja.lietz@kaingaora.govt.nz

(when completed)



TE TAI ŌHANGA
THE TREASURY

Risk Profile Assessment

1. PROJECT'S STRATEGIC ASSESSMENT

Risk associated with the external impact of the project

1.1 Project's External Impact

Question 1

[Info>](#)
[>](#)

Is the project important to the successful delivery of a major legislative requirement or a major policy initiative committed to by the Government?

- Very important
- Important
- Not important

Supporting Information

Supports the delivery of Government's housing objectives.

Question 2

[more](#)
[info>>](#)

Would project failure have significant implications for delivery of key public national security or the internal operations of an agency?

- Major implications
- Significant implications
- No significant implications

Supporting Information

Question 3

[more](#)
[info>>](#)

Will members of the public be directly affected by this project?

- Major impact
- Significant Impact
- No significant Impact

Supporting Information

The public will be affected through the attainment of programme objectives, i.e. increased housing supply and increase affordable supply in supply constrained locations

(when completed)

[more info>>](#) Question 4

Will the private sector be directly affected by this project?

- Major Impact
- Significant Impact
- No significant impact

Supporting Information

The project will contribute to the construction sector and its supply chain, however, procurement of services and the nature of the programme (being a series of individual projects) mean there are unlikely to be significant impacts at a cumulative programme level on the private sector.

[more info>>](#) Question 5

Will the State Sector be directly affected by this project?

- Significant Impact
- No significant impact

Supporting Information

Some projects may have impacts, such as transport or education. These will be dealt with on a case by case basis by those projects.

1.2 External Impacts on the Project

[more info>>](#) Question 6

Have the key stakeholders been identified and engaged with the project?

- Key stakeholders not identified or opposition from some key stakeholders expected
- No opposition from key stakeholders expected but support not yet secured
- Key stakeholder support secured

Supporting Information

The programme's supporting objectives, and Kāinga Ora operating principles, require meaningful and quality stakeholder engagement. This will occur at a project by project basis, and where opposition from key stakeholders is expected this will be presented in project decision-making.

[more info>>](#) Question 7

Is a change to legislation or regulations a pre-requisite for this project?

- Yes, requires legislation
- No

Supporting Information

There is no change to legislation required further as a pre-requisite for this project. Note that the UDA legislation was set up for the express purpose of supporting projects like these.

Indicative Risk Rating for Section 1 **Low**

2. PROJECT'S SCOPE AND COMPLEXITY

(when completed)

Risk associated with the scope and complexity of the project, including impact on the Agency/State Sector

2.1 Project's impact on the Agency and State Sector

Question 8

[more info>>](#) What impact will the project have on the Agency's business processes?
(check all that apply)

- Transfer of staff/outsourcing
- Significant logistical staff & equipment move
- Significant organisational restructuring
- Significant re-training
- New business processes
- Not significant

Supporting Information

The project per se does not require organisational re-alignment at all. Kāinga Ora has been configured to identify and deliver the types of investments anticipated by the Kāinga Ora Land Programme.

Question 9

[more info>>](#) Number of State Sector staff affected?

- More than 10,000
- 1,000 to 10,000
- Less than 1,000

Supporting Information

If at all, the project is likely to have a positive impact on staff, with its potential to provide growth and career opportunities.

Question 10

[more info>>](#) Which business areas/units will be directly affected by this project?

- Multiple agencies
- Multiple business streams within the Agency
- Single business stream within the Agency

Supporting Information

2.2 Project's Scope and Complexity

Question 11

[more info>>](#) What is the total cost of the project?

- Greater than \$150 million
- \$51 million to \$150 million
- \$15 million to \$50 million
- Less than \$15 million

(when completed)

Supporting Information

Projects within the programme will range, with some projects expected to be valued at greater than \$150m

Question 12

[more info>>](#)

What is the degree of innovation inherent in this project?

- Unproven approach
- New technology, stable application
- Stable technology, new application
- Stable, proven technology

Supporting Information

While some projects may require complex infrastructure interventions, the majority of the projects will use existing and proven methods.

Question 13

[more info>>](#)

What is the total project workforce, including internal and external suppliers?

- More than 100 people
- 50 to 100 people
- Up to 50 people

Supporting Information

Once the programme is in implementaiton, with a number of projects in delivery, it is expected that more than 100 people will be involved (including construction partners)

Question 14

[more info>>](#)

What skills and experience are critical to the successful delivery of the project?

- Unique, specialist skills and significant (>10 years) experience
- High level specialist skills and moderate (>5 years) experience
- Moderate specialist skills and some (<5 years) experience

Supporting Information

Given the scale and complexity a range of specialist skills and significant experience is required. Note Kāinga Ora has existing teams that can manage the project.

Question 15

[more info>>](#)

What is the timeframe for delivery of the project?

- Extended timeframe
- Compressed timeframe
- Standard

Supporting Information

(when completed)

Projects will be delivered in standard land development timeframes

2.3 Information Technology Element

Question 16

[more info>>](#)

What is the scope of the information technology content of this project?
(check all that apply)

- Packaged software with customisation
- Custom-built application or solution
- Standard packaged software, including SaaS
- Deliver infrastructure, including IaaS
- Not applicable

Supporting Information

Question 17

[more info>>](#)

To what extent will the project need to integrate with other systems?

- Extensive links to other systems
- Some links to other systems
- Data migration
- Not applicable, or standalone with no integration

Supporting Information

2.4 Procurement Effort (other than for Information Technology and Infrastructure)

Question 18

[more info>>](#)

What is the scope of the procurement effort?
(check all that apply)

- Significant customised elements
- Delivery of complex products and/or services
- Not applicable, or deliver straightforward, standard items

Supporting Information

Standard procurement practices will be used

2.5 Infrastructure Element (exclude IT infrastructure)

(when completed)

Question 19

[more info>>](#)

Are there any constraints that will affect the site development?

(check all that apply)

- Location
- Environmental issues
- Site access and conditions
- Lack of site knowledge
- Unserviced
- Land rights
- Not applicable

Supporting Information

Many projects in the programme will have varying site constraints, particularly as many projects may be greenfield developments. Urban development, including consideration of site constraints etc, is a core capability for Kāinga Ora

Question 20

[more info>>](#)

What are the features of the facility that impacts on its complexity?

- Facilities with planning or heritage sensitivities
- New or existing facility with non-standard construction
- New or existing facility with standard construction
- Not applicable

Supporting Information

Standard land development and delivery practices are anticipated for the programme

Question 21

[more info>>](#)

What is the nature of the infrastructure?

- Extension
- Refurbishment
- New construction
- Not applicable

Supporting Information

The programme seeks to enable housing supply through the provision of serviced land

Indicative Risk Rating for Section 2 **Medium**

3. PROJECT DELIVERY CAPABILITY AND APPROACH

Risk associated with the supplier and Agency's project delivery capability and approach

3.1 Supplier and Agency Experience

(when completed)

[more info>>](#) Question 22

How mature is the market in delivering or meeting the needs of this project?

- No track record
- Mixed or limited track record
- Not applicable or successful track record

Supporting Information

At an individual project level the market has experience and a track record. Land development is a standard market activity in New Zealand

[more info>>](#) Question 23

What is the Agency's experience of successful delivery of comparable projects in last five years?

- No track record
- Mixed or limited track record
- Successful track record

Supporting Information

Kāinga Ora has successfully scaled up its capabilities to deliver development projects in the last five years.

3.2 Agency's Project Management Framework and Approach

[more info>>](#) Question 24

To what extent is the project clearly linked to the Agency's key strategic priorities?

- Not linked
- Important
- Essential

Supporting Information

This is a core part of Kāinga Ora's urban development function.

[more info>>](#) Question 25

Will the project be delivered using a proven project management methodology that the Agency is experienced in using?

- No
- Yes

Supporting Information

We have an all of Kāinga Ora Investment Management Framework, and existing operating procedures for the delivery of urban development projects. These are being continually evolved and improved.

Question 26

(when completed)

[more info>>](#)

How complex are the proposed supply arrangements for the project?

- Multiple suppliers without a prime contractor
- Multiple suppliers with a prime contractor
- Single supplier, internal or external

Supporting Information

Each project will be procured under its own commercial plan, it is likely that in most cases there will be a prime contractor with a range of suppliers - as is usually standard for urban development projects.

Indicative Risk Rating for Section 3 Low

Indicative Risk Rating for the Project Medium

When complete, email the RPA to investmentmanagement@treasury.govt.nz

If you don't receive an acknowledgement within 2 working days, please send a follow-up email or phone us on 04 917 6920. The RPA is an e-form, and occasionally these get blocked by email security filters.

From: Sam Price <Sam.Price@kaingaora.govt.nz>
Sent: Monday, 12 July 2021 3:04 PM
To: InvestmentManagement <InvestmentManagement@treasury.govt.nz>
Cc: Katja Lietz <Katja.Lietz@kaingaora.govt.nz>; Ingrid Arnestedt <Ingrid.Arnestedt@kaingaora.govt.nz>; Gina Butson <Gina.Butson@kaingaora.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Anand Modak <Anand.Modak@kaingaora.govt.nz>
Subject: RPA - Kainga Ora Land Programme

Hi IMAP,

Please find attached an initial RPA for the new Kāinga Ora Land Programme – its intended as a first go and we'd welcome your review and thoughts. I've also attached a recent briefing to the Minister as context.

As per what was agreed with the LSPs, I have prepared this at a programme level.

We've been in discussions (with Kerry initially and now with Tony) about how to apply RPA etc within the decision framework that Kāinga Ora uses (also with a request for feedback on the gate templates and approach we are using), and in particular whether to apply RPA at a portfolio, programme or project level. We have yet to receive any guidance.

The presumption to date is that RPA would be done at programme or portfolio level due to the volume of work involved if we were to complete and submit (where needed) an RPA for every project – but we are yet to get a definitive view from IMAP on that. Our view is that we need to have a consistent standard, i.e. it is always at portfolio, programme or project level. Anand in our team is preparing a set of portfolio level RPAs as a test case as well so can share that if you'd like.

So I am also hoping the review of this particular RPA might help to progress the broader issue. The first project under the Kāinga Ora Land Programme is being considered at the moment, with a briefing to the Minister likely this week or next.

Also, I'm going to be on leave 15-30 July. During that time Gina will be acting for me and Gina is across this, so please work with her post initial review.

Thanks

Sam Price

Director – Investment Management Office
[Investment Management Office](#)

Mobile: s 9(2)(g)(ii)
Email: sam.price@kaingaora.govt.nz

Freephone: 0800 000 000 | Mainline: (00) 000 0000 | Kāinga Ora – Homes and Communities
PO BOX 2628 Wellington 6140 | New Zealand Government | www.kaingaora.govt.nz

www.govt.nz - your guide to finding and using New Zealand government services

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Please:

- (1) reply promptly to that effect, and remove this email, any attachment and the reply from your system;
- (2) do not use, disclose or act on this email in any other way. Thank you.

From: Grace Xu <Grace.Xu@hud.govt.nz>
Sent: Wednesday, 21 July 2021 11:09 am
To: Glen Thomson [TSY]
Cc: Olivia Maxwell [TSY]
Subject: FW: Request for comment on risk: Kāinga Ora - Homes and Communities - Kāinga Ora Land Programme

Fyi.

Ngā mihi

Grace Xu

Principal Advisor Crown Entity Performance and Monitoring
System Performance

Ministry of Housing and Urban Development

grace.xu@hud.govt.nz | Mobile ^{s 9(2)(g)(ii)}

Level 7, 7 Waterloo Quay, Wellington

www.hud.govt.nz



MINISTRY OF HOUSING
AND URBAN DEVELOPMENT



From: Grace Xu
Sent: 21 July 2021 08:47
To: 'Gateway Unit [TSY]' <gatewayunit@treasury.govt.nz>; 'procurementplanning@mbie.govt.nz' <procurementplanning@mbie.govt.nz>; 'Margaret.Pearson@mbie.govt.nz' <Margaret.Pearson@mbie.govt.nz>; 'hamish.james@stats.govt.nz' <hamish.james@stats.govt.nz>; 'Alessandro Aduso' <Alessandro.Aduso@stats.govt.nz>; 'Hedy Manders [TSY]' <Hedy.Manders@treasury.govt.nz>; 'Lisa King [TSY]' <Lisa.King@treasury.govt.nz>; 'Better Business Cases [TSY]' <Better.BusinessCases@treasury.govt.nz>; Arati Waldegrave <Arati.Waldegrave@dpmc.govt.nz>; 'Jamie.Emmens@publicservice.govt.nz' <Jamie.Emmens@publicservice.govt.nz>; Alex Smith - Treasury <Alex.Smith@treasury.govt.nz>; 'Peter.Murray' <Peter.Murray@infracom.govt.nz>; 'Jonathon Clark' <Jonathon.clark@infracom.govt.nz>; 'Julie Chuor' <julie.chuor@infracom.govt.nz>; 'brendan.herder' <brendan.herder@infracom.govt.nz>; Katie Wellington <Katie.Wellington@hud.govt.nz>; 'Saskia Patton' <Saskia.Patton@hud.govt.nz>
Cc: 'Craig Murphy [TSY]' <Craig.Murphy@treasury.govt.nz>; 'Geoff Nicholls' <geoff.nicholls@treasury.govt.nz>; 'Steph Greig [TSY]' <Steph.Greig@treasury.govt.nz>; 'Dallas Welch – PS' <Dallas.Welch@publicservice.govt.nz>; 'John Beaglehole - Treasury' <John.Beaglehole@treasury.govt.nz>
Subject: RE: Request for comment on risk: Kāinga Ora - Homes and Communities - Kāinga Ora Land Programme

Good morning,

I have reviewed the RPA and revised a few ratings, which still results in overall 'Medium' rating for the Programme. 'Medium' risk at the Programme level is not surprising when considered in the overall context of Kainga Ora's urban development role. The concern is programme level RPA may conceal project level risks (in the absence of project level RPAs). **In my view, risk assessment for high value/high risk projects could be appropriate, to ensure business cases are completed to inform ministerial decisions, noting:**

- Ministers, and/or Cabinet consider investment proposals for relevant project, not the Land programme (programme approved under 2021 Budget)
- KO's internal gateway process also happens at project level, so it shouldn't be onerous on KO to complete RPAs

On balance, what's critical to HUD is the quality of the investment proposal to inform ministerial decisions, and less so on the necessity of the RPA. We would like to talk to Treasury to better understand how the Land Programme proposals and the BBC process could work together to capture nuances of land acquisition (front-loaded due diligence quite often at short timeframe when decisions need to be made for purchase, and development cases to be worked through later on). Grace will schedule a chat with Tony Parish.

I've revised the following ratings in the attached RPA:

- Question 8: change from 'not significant' to 'new business processes'
- Question 12: change from 'stable, new tech' to 'stable tech, new application'
- Question 23: change from 'successful track record' to 'mixed or limited track record'

Ngā mihi

Grace Xu

Principal Advisor Crown Entity Performance and Monitoring
System Performance

Ministry of Housing and Urban Development

grace.xu@hud.govt.nz | Mobile ^{s 9(2)(g)(ii)}

Level 7, 7 Waterloo Quay, Wellington

www.hud.govt.nz



MINISTRY OF HOUSING
AND URBAN DEVELOPMENT



From: Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>

Sent: Monday, 19 July 2021 3:58 pm

To: Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>; procurementplanning@mbie.govt.nz;
Margaret.Pearson@mbie.govt.nz; hamish.james@stats.govt.nz; Alessandro Aduso
<Alessandro.Aduso@stats.govt.nz>; Hedy Manders [TSY] <Hedy.Manders@treasury.govt.nz>; Lisa King [TSY]
<Lisa.King@treasury.govt.nz>; Better Business Cases [TSY] <Better.BusinessCases@treasury.govt.nz>; Arati
Waldegrave <Arati.Waldegrave@dpmc.govt.nz>; Jamie.Emmens@publicservice.govt.nz; Alex Smith - Treasury
<Alex.Smith@treasury.govt.nz>; Peter.Murray <Peter.Murray@infracom.govt.nz>; Jonathon Clark
<Jonathon.clark@infracom.govt.nz>; Julie Chuor <julie.chuor@infracom.govt.nz>; brendan.herder@infracom.govt.nz;
<brendan.herder@infracom.govt.nz>; Katie Wellington <Katie.Wellington@hud.govt.nz>; Saskia Patton
<Saskia.Patton@hud.govt.nz>

Cc: Craig Murphy [TSY] <Craig.Murphy@treasury.govt.nz>; Geoff Nicholls <geoff.nicholls@treasury.govt.nz>; Steph
Greig [TSY] <Steph.Greig@treasury.govt.nz>; Dallas Welch – PS <Dallas.Welch@publicservice.govt.nz>; John
Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>

Subject: RE: Request for comment on risk: Kāinga Ora - Homes and Communities - Kāinga Ora Land Programme

Kia ora koutou,

I am aware there are various views on whether this 'programme' level RPA is too high-level for significant land purchases. I am treating this as the '2021' land purchases programme with a finite scope, and assume there may be more programmes in future. I understand each land purchase is subject to a business case approval which is based on appropriate thresholds.

We look forward to your views on whether this RPA at a programme level is too broad. We do need to keep this simple.

I understand the scope of projects covered under this programme includes purchasing land, land/infrastructure development, and land sales under development contracts. While many greenfield land purchases may be medium risk, any brownfield or complex infrastructure installations may be higher risk, possibly driven from additional costs, consenting and resourcing constraints.

On balance the self-assessment of Medium risk appears to be appropriate – maybe with a condition that this covers all projects below a threshold (definition tba), and above this threshold projects are required to have separate RPAs?

Looking forward to other's comments

Regards
Tony.

From: Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>
Sent: Monday, 19 July 2021 2:33 pm
To: procurementplanning@mbie.govt.nz; Margaret.Pearson@mbie.govt.nz; hamish.james@stats.govt.nz; Alessandro Aduso <Alessandro.Aduso@stats.govt.nz>; Hedy Manders [TSY] <Hedy.Manders@treasury.govt.nz>; Lisa King [TSY] <Lisa.King@treasury.govt.nz>; Better Business Cases [TSY] <Better.BusinessCases@treasury.govt.nz>; Arati Waldegrave [DPMC] <Arati.Waldegrave@dpmc.govt.nz>; Jamie.Emmens@publicservice.govt.nz; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Alex Smith [TSY] <Alex.Smith@treasury.govt.nz>; Peter.Murray <Peter.Murray@infracom.govt.nz>; Jonathon Clark <Jonathon.clark@infracom.govt.nz>; Julie Chuor <julie.chuor@infracom.govt.nz>; brendan.herder@infracom.govt.nz; Katie.Wellington@hud.govt.nz; Saskia.Patton@hud.govt.nz
Cc: Craig Murphy [TSY] <Craig.Murphy@treasury.govt.nz>; Geoff Nicholls <geoff.nicholls@treasury.govt.nz>; Steph Greig [TSY] <Steph.Greig@treasury.govt.nz>; Dallas.Welch <Dallas.Welch@publicservice.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>
Subject: Request for comment on risk: Kāinga Ora - Homes and Communities - Kāinga Ora Land Programme
Importance: High

Good afternoon

So that we can develop a united central/monitoring agency view of risk for a major project/programme, I have forwarded for your review a Risk Profile Assessment (RPA) completed by Kāinga Ora - Homes and Communities for its Kāinga Ora Land Programme.

Please note - This is a 'programme level' RPA from Kainga Ora for land purchases. The RPA covers potentially many high value projects for land purchases across the country. There has been some discussion on whether this level of RPA is too high, and whether risk assessment for individual projects is more appropriate. We want to receive RPAs to provide visibility, if we receive too many it may have the opposite effect.

At this stage it is proposed that we receive 'programme level' RPAs, where the projects within the programme will be treated as having the same risk profile as the programme. By receiving RPAs at this level does not dilute any expectations for business cases or reporting at a project level. We would expect programme level reporting to expose appropriate details of all projects within the programme.

Please consider the 'level' of this RPA when reviewing and include any comments in your moderation response on whether you think this level of RPA is too high, too low, or just right.

The agency's initial self-assessed rating is **MEDIUM** Risk.

Please consider the RPA based on your own understanding of the project and of the agency's capability.

We send the RPA to reviewers who we believe may have a different perspective and better understanding of the project and the agency (and its capabilities), and be able to offer insights on the real risk level. A project does not for instance need to match the rating of a similar project in another agency – circumstances and capabilities can be very different.

Feel free to send this for comment to other people in your team, if appropriate.

Sometimes one or two reviewers will have some insights that lead to a change in the risk rating; this can be based on expert knowledge; it does not need to be supported by the RPA score!

- If you agree with this rating, please reply to me to confirm.
- If you disagree with this initial rating, or are unsure of the project's risk level, please review the RPA and comment as follows:
 1. Do you disagree with any of their answers? Why?
 2. Are there any factors not included in the RPA, or not given sufficient weighting, that you believe warrant a different rating being assigned?
 3. Do you need further information, or want a meeting with other central agencies, to be comfortable that the rating is appropriate?

I would be grateful for your response by **EOB (today +3 days) Thursday 22 July 2021**. With replies please use 'Reply All'

Deemed acceptance:

If I do not hear from you by this deadline, I will assume that you are satisfied with the risk rating as it stands in the RPA or as amended by Treasury or other reviewers.

Kind regards
Denise



Denise Walker | Programme Coordinator | Investment Management & Asset Performance (IMAP) | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) Email/IM: Denise.Walker@treasury.govt.nz

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Withheld out of scope of request

From: Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>
Sent: Tuesday, 3 August 2021 11:11 AM
To: katja.lietz@kaingaora.govt.nz; Sam.Price@kaingaora.govt.nz
Cc: Gina.Butson@kaingaora.govt.nz; procurementplanning@mbie.govt.nz; Margaret.Pearson@mbie.govt.nz; hamish.james@stats.govt.nz; Alessandro Aduso <Alessandro.Aduso@stats.govt.nz>; Hedy Manders [TSY] <Hedy.Manders@treasury.govt.nz>; Lisa King [TSY] <Lisa.King@treasury.govt.nz>; Better Business Cases [TSY] <Better.BusinessCases@treasury.govt.nz>; Jamie.Emmens@publicservice.govt.nz; Peter.Murray <Peter.Murray@infracom.govt.nz>; Jonathon Clark <Jonathon.clark@infracom.govt.nz>; Julie Chuor <julie.chuor@infracom.govt.nz>; brendan.herder <brendan.herder@infracom.govt.nz>; Katie.Wellington@hud.govt.nz; Saskia.Patton@hud.govt.nz; Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Craig Murphy [TSY] <Craig.Murphy@treasury.govt.nz>; Geoff Nicholls <geoff.nicholls@treasury.govt.nz>; Steph Greig [TSY] <Steph.Greig@treasury.govt.nz>; Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>; Dallas.Welch <Dallas.Welch@publicservice.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Arati Waldegrave [DPMC] <Arati.Waldegrave@dpmc.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Alex Smith [TSY] <Alex.Smith@treasury.govt.nz>
Subject: Final risk rating and next steps for Kāinga Ora - Homes and Communities: Kāinga Ora Land Programme

Good morning

To develop a united monitoring agency view of risk for a major capital programme, the Risk Profile Assessment (RPA) for Kāinga Ora's Kāinga Ora Land Programme was sent to relevant system lead staff for comment.

The agency's initial self-assessed RPA rating for this programme was **MEDIUM** risk.

After review by the system leads, this rating is **changed to HIGH** risk.

We have moderated the programme as presented for future land purchases. We acknowledge that many future projects (land purchases/developments) within this programme may be Medium or Low risk. We will treat all projects within the programme at the same (High) risk level unless an RPA is submitted for a specific project.

We understand that each land purchase is subject to individual (Indicative and Detailed) business cases, and above a threshold (\$50m WOL cost has been discussed) these would be consulted with Ministers (and shared with HUD/Treasury). As discussed with Tony Parish, we recommend that RPAs are submitted for each individual land purchase/development prior to developing Indicative business cases. Please send these to Treasury when Medium or High risk (we assume these would generally be above the threshold for sending business cases to Ministers). These RPAs can then be more easily understood and moderated to enable an appropriate level of support.

This means that for this programme:

Better Business Cases:

- The programme must follow the Treasury Better Business Case process – if you have not yet engaged with your Treasury vote analyst, you should contact them urgently.
- The value and risk profile of the project will determine the extent of Business Case required; a Business Case Scoping Document can be drafted early in development of the project to form an agreement with the Treasury about the investment decision pathway and the type of business case to be used.
- To view the templates, please use this link:
<http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance> or contact Better.BusinessCases@treasury.govt.nz.

Procurement:

- All procurement activities from Public Service Agencies, plus NZDF and Police must comply with the Government Procurement Rules; agencies in the wider state services are also expected to apply the Rules as good practice guidance.
- For more details, see: www.procurement.govt.nz/procurement/principles-and-rules/government-procurement-rules/ or contact NZ Government Procurement for further clarification.

Te Waihanga – NZ Infrastructure Commission

- Please be aware of new Cabinet requirements associated with the NZ Infrastructure Commission, and articulated in CO (19) 6, which apply to this project/programme:
 - Agencies must consult early with the New Zealand Infrastructure Commission, Te Waihanga, and follow any relevant guidance published by the Commission, if they are:
 - contemplating major investment in infrastructure (i.e. where the whole-of-life cost (WOLC) of the proposal exceeds \$50 million), or
 - considering any significant innovative and non-traditional approaches to infrastructure procurement, alternative financing arrangements, or PPPs.
 - The Treasury, the Commission and relevant functional leaders (as appropriate) will determine the form of support for an investment, including identifying, evaluating and delivering commercial, procurement and financing options.

Gateway:

- Gateway reviews are required
- For more information on Gateway see www.treasury.govt.nz/statesector/investmentmanagement/review/gateway or contact gatewayunit@treasury.govt.nz.

Monitoring

- CO (19) 6 requires that ‘all investment proposals that are determined high risk by the RPA will have an appropriate level of assurance applied’. For this programme, the Treasury expects:
 - Independent quality assurance of the programme, provided by the agency’s internal assurance function and/or external providers
 - Treasury vote team assessment of budget bids, supported by a business case

- Provision of programme data to the Government Investment Portfolio data collection, including performance and project health metrics
 - Benefits reporting to Cabinet as advised by the Treasury
 - The agency will notify the Treasury immediately in the event that the programme is forecast to exceed Cabinet-approved time, cost, scope or benefits, or that its delivery confidence assessment (or equivalent) of the project is Amber-Red or Red.
- The programme will be considered for discretionary investment support services as part of the Treasury's regular investment performance support planning process.

Please note that if the programme risk profile later changes (e.g. there are substantial changes to scope, cost, or time that may change the risk profile) you must update the RPA and send it to us again.

- The RPA template is regularly updated – please always download the current version from <https://treasury.govt.nz/publications/guide/risk-profile-assessment-template>

Next steps:

You should contact the Treasury, and monitoring agency if applicable through your Vote Analyst, about requirements for the business case process.

- A representative from the Treasury Investment Management & Asset Performance team will be in touch to discuss or confirm next steps including Gateway arrangements.

Kind regards
Denise



Denise Walker | Programme Coordinator | Investment Management & Asset Performance (IMAP) | **Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) Email/IM: Denise.Walker@treasury.govt.nz

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From: Hannah Mcgregor <Hannah.Mcgregor@hud.govt.nz>
Sent: Wednesday, 30 June 2021 2:11 pm
To: Bastiaan van der Scheer [TSY]
Cc: Robert Murray
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.
Attachments: Annex 1 A3 Dashboard - June 21.pdf

Apologies for the delay Baastian, the attached is the programme pipeline, with all the caveats that might be applied to anything that is not locked down in terms of due diligence, acquisition or DA negotiations.

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Monday, June 28, 2021 9:12 AM
To: Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>
Cc: Matt Fraser <Matt.Fraser@hud.govt.nz>; Hannah Mcgregor <Hannah.Mcgregor@hud.govt.nz>
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.

Sorry, missed this on Friday.

Hannah/Matt, can your please respond to Bastiaan's query below?

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Friday, 25 June 2021 4:07 PM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>; Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>; Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.

Also, do you have a list of projects LfH are looking at?

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**
Tel: s9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz
Please note I work irregular hours, please call me for anything urgent



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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Friday, 25 June 2021 3:44 pm
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>; Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.

Hi Bastiaan,

As requested, here's some additional information from KO re the potential acquisitions outlined in Annex D. They have indicated that "As far as use of UDA powers goes, we would expect the need for the exercise of those powers to be part of the early assessment process for any significant acquisition."

Annex D: Overview of potential development sites currently under investigation by Kāinga Ora

1. *Kāinga Ora is prioritising its year one strategic land acquisitions in s9(2)(j). Investment decisions will align with the Urban Growth Partnerships and Place-based programmes already underway in those areas.*
2. *Kāinga Ora is also considering other catalytic projects outside of these areas as they arise.*
3. *The following shows opportunities currently under investigation. It is noted that some will drop off as further work is done and that others will be added as focused work is done in priority areas. This includes detailed conversations with institutional landowners, including local government.*

s9(2)(j)



4. *Due diligence is underway across all the above opportunities. Kāinga Ora expects to be ready to enter into conditional contracts on some of the smaller sites between July and September 2021.*
5. *Kāinga Ora is also jointly investigating several central city sites with s9(2)(j) and is in the early stages of considering sites in s9(2)(i).*

Regards,

Rob

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Friday, 25 June 2021 10:33 AM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>; Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>; Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.

Hi Rob – exactly.

There's a lot of scope in the paper for KO to have flexibility to do what it wants, we want early signs of what that will mean.

For instance, in one of the other papers it says this fund is about private land, yet the only identified owner of potential acquisition sites is local government.

To belabour the point, we're keen for KO to have a strategy around how this fund will be used, s9(2)(g)(i)

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Friday, 25 June 2021 10:26 am
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>; Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.

Hi Bastiaan,

Thanks for the update.

I don't have the level of detail you're after, but am happy to forward your request on to Kāinga Ora.

I anticipate they'll want to know why you want that level of detail (I presume you want to get a better understanding of how well the potential acquisitions align with the programme objectives, alignment with housing need, what value add/point of difference KO is bringing to the table, risk of crowding out others, etc). Can you please advise?

Regards,

Rob

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Friday, 25 June 2021 10:01 AM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: John Beaglehole - Treasury <John.Beaglehole@treasury.govt.nz>; Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>
Subject: Info on developments identified for the KO strategic land acquisition fund.

Hi Rob

We'll provide feedback this afternoon, likely subject to discussions with treasury legal.

For each of the developments below, could you or KO please provide us with the details of location, who the current owner is, and what powers (if any) KO expects to have to use to enable.

Happy to sign an NDA if they consider it's commercially sensitive and that it's required and/or get a password-protected document.

Also happy to just get the owner and location ahead of use of powers if they haven't worked the latter out yet.

Cheers,
Bastiaan

Annex D: Overview of potential development sites currently under investigation by Kāinga Ora

1. Kāinga Ora is prioritising its year one strategic land acquisitions in ^{s9(2)(j)} [REDACTED]. Investment decisions will align with the Urban Growth Partnerships and Place-based programmes already underway in those areas.
2. Kāinga Ora is also considering other catalytic projects outside of these areas as they arise.
3. The following shows opportunities currently under investigation. It is noted that some will drop off as further work is done and that others will be added as focused work is done in priority areas. This includes detailed conversations with institutional landowners, including local government.

^{s9(2)(j)} [REDACTED]

4. Due diligence is underway across all the above opportunities. Kāinga Ora expects to be ready to enter into conditional contracts on some of the smaller sites between July and September 2021.

5. Kāinga Ora is also jointly investigating several central city sites with s9(2)(i) and is in the early stages of considering sites in s9(2)(j).

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Hilary Eade <Hilary.Eade@hud.govt.nz>
Sent: Thursday, 8 July 2021 1:13 pm
To: Bastiaan van der Scheer [TSY]
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.

Thanks – just wondering if this is different to the version you sent me earlier?

Will get you comments asap

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Thursday, 8 July 2021 1:01 PM
To: Hilary Eade <Hilary.Eade@hud.govt.nz>
Subject: FW: Info on developments identified for the KO strategic land acquisition fund.

Hi Hilary

Current draft attached and email chain on TW below.

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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**TE TAI ŌHANGA
THE TREASURY**

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From: Bastiaan van der Scheer [TSY]
Sent: Friday, 25 June 2021 4:04 pm
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Olivia Maxwell [TSY] <Olivia.Maxwell@treasury.govt.nz>; Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Info on developments identified for the KO strategic land acquisition fund.

Hmm, this seems to confirm my concern about cross-over s9(2)(i) - only two wouldn't seem to fall within the remit of LfH?

And the s9(2)(i) one says it's being driven by public housing needs.

s9(2)(g)(i)

And I think Tauriko West (hopping family) is already well known, if funding for the interchange can be found it, *and other developments in the area*, would go ahead as it's already an identified growth area and the council are onboard. Check it out – it's literally being marketed for development purchase by a real estate agent.

<https://www.bayleys.co.nz/2501939>

Catalyst could be the reason for some of the others, but not sure how the locations of many of these would be catalytic – s9(2)(g)(i).

Ditto s9(2)(i) if they were given the opportunity. The Minister has been in the house saying KO wouldn't compete with private developers...

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Jeff de Jong <Jeff.deJong@parliament.govt.nz>
Sent: Wednesday, 14 July 2021 9:40 am
To: John Beaglehole [TSY]; Glen Thomson [TSY]
Cc: Bastiaan van der Scheer [TSY]
Subject: RE: Update on Ferncliffe

Thanks for the heads-up Bastiaan.

John/Glen – from re-reading the paper I'm not clear on what is accurate or inaccurate. I don't think the paper says anything about whether HUD knew anything about the acquisition, and the description of the deposit in the paper seems to say it is not for a binding agreement – which for the time being seems true.

Can one of you give me a quick call to clarify please.

Jeff de Jong (he/him) | Private Secretary (Finance)
Office of Hon Grant Robertson | Office of Hon Dr Megan Woods
T: s9(2)(k) | M: s 9(2)(g)(ii) | E: Jeff.deJong@parliament.govt.nz

From: Bastiaan van der Scheer [TSY] [mailto:Bastiaan.vanderScheer@treasury.govt.nz]
Sent: Tuesday, 13 July 2021 8:59 PM
To: Jeff de Jong <Jeff.deJong@parliament.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>;
Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Subject: Update on Ferncliffe

Hi Jeff

As mentioned this morning, I had couple of meetings on the Ferncliffe acquisition that KO are looking to discuss with Ministers. The situation as reflected in our paper last week wasn't correct. I'm out of the office for a few days so thought I'd email a quick update.

We've confirmed with another part of MHUD that they were actually aware of the proposed acquisition, it wasn't a surprise. In fact the governance group for the regional urban growth partnership there asked KO to undertake the acquisition. I'm a bit confused/surprised by that, as I thought the urban partnerships were supposed to help inform joint advice for other decision-makers, not make investment decisions of this nature or support particular proposals. I've asked for the papers (if any). Relationship with IFF SPV, transport funding decisions, AHF, public housing etc.

The description of the deposit provided to us also wasn't accurate. KO have won a tender against at least one other bidder. They are now the sole party in due diligence with the vendor. They are still able to exit the deal, but if they do nothing else it will be binding on 17 September. At that point I assume the other bidder(s) will know it was KO who provided the winning bid. I don't know their identity or what the reaction will be given recent coverage of KO being active in market acquisitions.

s9(2)(g)(i)

KO will share a draft report with us on Monday, providing more information on the deal and seeking Ministerial agreement to a Cabinet paper on the acquisition. Given the 17th September date for the offer to go unconditional there is some time pressure on this. However the deadline can likely be extended (if needed). We'll provide you an update once we receive the draft report.

Cheers,
Bastiaan

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-

Withheld out of scope of request

From: Sam Price <Sam.Price@kaingaora.govt.nz>

Sent: Friday, 6 August 2021 10:02 am

To: Gateway Unit [TSY] <gatewayunit@treasury.govt.nz>; Katja Lietz <Katja.Lietz@kaingaora.govt.nz>

Cc: Gina Butson <Gina.Butson@kaingaora.govt.nz>; procurementplanning@mbie.govt.nz;

Margaret.Pearson@mbie.govt.nz; hamish.james@stats.govt.nz; Alessandro Aduso

<Alessandro.Aduso@stats.govt.nz>; Hedy Manders [TSY] <Hedy.Manders@treasury.govt.nz>; Lisa King [TSY]

<Lisa.King@treasury.govt.nz>; Better Business Cases [TSY] <Better.BusinessCases@treasury.govt.nz>;

Jamie.Emmens@publicservice.govt.nz; Peter.Murray <Peter.Murray@infracom.govt.nz>; Jonathon Clark

<Jonathon.clark@infracom.govt.nz>; Julie Chuor <julie.chuor@infracom.govt.nz>; brendan.herder

<brendan.herder@infracom.govt.nz>; Katie.Wellington@hud.govt.nz; Saskia Patton <saskia.patton@hud.govt.nz>;

Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Craig Murphy [TSY] <Craig.Murphy@treasury.govt.nz>;

Geoff Nicholls <geoff.nicholls@treasury.govt.nz>; Steph Greig [TSY] <Steph.Greig@treasury.govt.nz>; Dallas.Welch

<Dallas.Welch@publicservice.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Arati

Waldegrave [DPMC] <Arati.Waldegrave@dpmc.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Alex

Smith [TSY] <Alex.Smith@treasury.govt.nz>; Linda Taylor <linda.taylor@kaingaora.govt.nz>; Gina Butson

<Gina.Butson@kaingaora.govt.nz>; Anand Modak <Anand.Modak@kaingaora.govt.nz>; Andrew Barker

<Andrew.Barker@kaingaora.govt.nz>

Subject: RE: Final risk rating and next steps for Kāinga Ora - Homes and Communities: Kāinga Ora Land Programme

Hi Denise,

Attachment withheld under s2(b)(ii)

Further to the below, please find attached an RPA assessment for the Ferncliffe Farms site.

Our self-assessment has come out as low, meaning it is not required to be submitted.

However, given the circumstances we think it is best to submit it for moderation regardless.

If you have any questions, please do get in touch. Otherwise, we await the outcome of your moderation.

Kind regards



Sam Price

Director – Investment Management Office
[Investment Management Office](#)

Mobile: s 9(2)(g)(ii)
Email: sam.price@kaingaora.govt.nz

Freephone: 0800 000 000 | Mainline: (00) 000 0000 | Kāinga Ora – Homes and Communities
PO BOX 2628 Wellington 6140 | New Zealand Government | www.kaingaora.govt.nz

From: Sam Price

Sent: Tuesday, 3 August 2021 11:56 AM

To: 'Gateway Unit [TSY]' <gatewayunit@treasury.govt.nz>; Katja Lietz <Katja.Lietz@kaingaora.govt.nz>

Cc: Gina Butson <Gina.Butson@kaingaora.govt.nz>; procurementplanning@mbie.govt.nz;

Margaret.Pearson@mbie.govt.nz; hamish.james@stats.govt.nz; Alessandro Aduso

<Alessandro.Aduso@stats.govt.nz>; Hedy Manders [TSY] <Hedy.Manders@treasury.govt.nz>; Lisa King [TSY]

<Lisa.King@treasury.govt.nz>; Better Business Cases [TSY] <Better.BusinessCases@treasury.govt.nz>;

Jamie.Emmens@publicservice.govt.nz; Peter.Murray <Peter.Murray@infracom.govt.nz>; Jonathon Clark

<Jonathon.clark@infracom.govt.nz>; Julie Chuor <julie.chuor@infracom.govt.nz>; brendan.herder

<brendan.herder@infracom.govt.nz>; Katie.Wellington@hud.govt.nz; Saskia Patton <saskia.patton@hud.govt.nz>;

Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Craig Murphy [TSY] <Craig.Murphy@treasury.govt.nz>;

Geoff Nicholls <geoff.nicholls@treasury.govt.nz>; Steph Greig [TSY] <Steph.Greig@treasury.govt.nz>; Dallas.Welch

<Dallas.Welch@publicservice.govt.nz>; John Beaglehole [TSY] <John.Beaglehole@treasury.govt.nz>; Arati

Waldegrave [DPMC] <Arati.Waldegrave@dpmc.govt.nz>; Tony Parish [TSY] <Tony.Parish@treasury.govt.nz>; Alex

Smith [TSY] <Alex.Smith@treasury.govt.nz>; Linda Taylor <linda.taylor@kaingaora.govt.nz>; Gina Butson

<Gina.Butson@kaingaora.govt.nz>; Anand Modak <Anand.Modak@kaingaora.govt.nz>

Subject: RE: Final risk rating and next steps for Kāinga Ora - Homes and Communities: Kāinga Ora Land Programme

Hi Denise,

Thanks for your email and confirmation of the RPA moderation.

Based on Treasury's suggestion yesterday – can we please withdraw this RPA. We will submit RPA for each individual project as suggested in the attached email.

We are working to get a revised RPA for the current land programme proposal submitted to IMAP as soon as we can.

Kind regards,



Sam Price

Director – Investment Management Office
[Investment Management Office](#)

Mobile: s 9(2)(g)(ii)
Email: sam.price@kaingaora.govt.nz

Freephone: 0800 000 000 | Mainline: (00) 000 0000 | Kāinga Ora – Homes and Communities
PO BOX 2628 Wellington 6140 | New Zealand Government | www.kaingaora.govt.nz

From: Kristin Aitken <Kristin.Aitken@hud.govt.nz>
Sent: Friday, 20 August 2021 12:14 pm
To: Katie Wellington; Grace Xu; Robert Murray; Ernst Zollner; Hilary Eade; Bastiaan van der Scheer [TSY]; Glen Thomson [TSY]
Subject: Significant Project brief/indicative business case Ferncliffe Farm
Attachments: 190821 Gate 2 Significant Projects Brief Ferncliffe - Final.pdf; Kainga Ora Land Programme Business case key ingredients.docx

Hi all

Project brief attached for your review. HUD meeting Tuesday (11-12) to discuss, and then with Treasury on Tuesday (3.30-4.30pm).

Also attached is the draft outline of the KO Land Programme Business case key content to consider against review of Ferncliffe.

I had in mind that we would be confirming with Kāinga Ora on Wednesday 25 August whether the project brief enables HUD to advise Minister that she can support proposal and on that basis take to Cabinet. Given the timeframe to get to Cabinet my view is that there will be limited opportunities for KO to respond to any feedback.

FYI the following is the timeline we are working to (shared with Minister's office who are comfortable). We are aiming to send draft Cab paper and cover briefing to external agencies in addition to Treasury (MoT, Waka Kotahi, Ministry of Education and CIP) for their review on morning of Tuesday 31 August, with feedback required by midday on 1 September.

HUD CABINET PAPER	
HUD receive project brief	20 Aug
Cab paper and cover briefing – review project brief, engagement with departments/agencies, and HUD internals	23 Aug - 7 Sept
Cab paper and cover briefing to Minister's office	8 Sept
Minister reviews paper and sends out for Ministerial Consult	9 Sept – 17 September
Minister's office provides HUD with feedback	Minister's office have said will send through as obtain
HUD takes feedback on board, review of amended paper and sign-out Minister may want to review paper if substantial changes in response to feedback uploads to CabNet	Monday 20 - Wed 22 September
Lodge paper (10 am Thursday before DEV)	Thursday 23 Sept
DEV meeting (Wednesday)	Wed 29 Sept
Cabinet (Monday following DEV)	Mon 4 Oct

Any questions or issues please contact me.

Ngā mihi

Kristin Aitken (she/her)
Principal Advisor Crown Entity Performance and Monitoring

Ministry of Housing and Urban Development

kristin.aitken@hud.govt.nz | Mobile s 9(2)(g)(ii)
Level 7, 7 Waterloo Quay, Wellington
www.hud.govt.nz



MINISTRY OF HOUSING
AND URBAN DEVELOPMENT



From: Linda Taylor <linda.taylor@kaingaora.govt.nz>
Sent: Friday, 20 August 2021 11:23 am
To: Kristin Aitken <Kristin.Aitken@hud.govt.nz>
Cc: Andrew Barker - Kaingaora <Andrew.barker@kaingaora.govt.nz>; Caroline McDowall <Caroline.McDowall@kaingaora.govt.nz>; Kerrie Young - Kaingaora <Kerrie.young@kaingaora.govt.nz>; Hayley Fitchett <Hayley.Fitchett@kaingaora.govt.nz>
Subject: Significant Project brief/indicative business case Ferncliffe Farm

Hi Kristin

Here is the Gate 2 Significant Project Brief/Indicative Business Case for the proposed Ferncliffe Farm acquisition. Can you please distribute it to the appropriate reviewers at HUD and Treasury.

This has been signed out by senior management (DCE/GM level) within Kāinga Ora, and will be considered by our Investment Development Committee (IDC) on Monday 23 August.

If IDC endorses the proposal it will go to our Board on 31 August. Any endorsement to proceed will be pending the outcome of consultation with Ministers/Cabinet.

It has also been through (and passed) an internal quality assurance review by our Investment Management Office.

It would be helpful to know what your timeframe for coming back to us with any feedback, so we can put time aside to respond – I am assuming you will be meeting with Treasury and forming a joint view.

I am preparing some brief talking points for our CE for the Monday minister's meeting, as this is on the agenda. I will forward you a copy of them later today.

I understand the intention is to provide this business case to the minister's office as well – can we discuss timing of that process, please?

Feel free to call me if you have any questions.

Nga mihi

Linda



Linda Taylor

Chief Advisor
Urban Planning and Design

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Wednesday, 25 August 2021 2:19 pm
To: Glen Thomson [TSY]; Kristin Aitken
Cc: Grace Xu; Bastiaan van der Scheer [TSY]; Hilary Eade; Jane Keane
Subject: RE: Ferncliffe discussion

Hi Glen,

Thanks for the clarification. This is the sort of thing we're hoping to cover off in the report back on KPIs and reporting arrangements for the Programme. It's expected that this will include a mini LoE that, among other things, will reinforce Ministers' expectations in relation to the operating model (drawing on some of the material I set out in the previous briefing and the Cabinet paper, which you've noted below).

That said, I think we need to be really careful not to blur the line between the objectives and the operating model. Statutory powers and off market transactions are useful approaches to securing the objectives we're after (and avoiding crowding out the private sector), but they're not objectives in themselves. I think Ministers have been really clear that they don't want to unduly limit KO to these approaches.

By way of example, compulsory acquisition always has to follow a reasonable attempt to acquire land on a willing buyer-willing seller basis. Further, the case law sets a really high bar for pulling the compulsory acquisition lever when those negotiation break down. Similarly, there are lots of costs and process steps involved in establishing an SDP. These process steps could butt up against the Programme's pace imperatives, so we'll have to make sure the juice is worth the squeeze.

Regards,

Rob

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: Wednesday, 25 August 2021 12:51 PM
To: Robert Murray <Robert.Murray@hud.govt.nz>; Kristin Aitken <Kristin.Aitken@hud.govt.nz>
Cc: Grace Xu <Grace.Xu@hud.govt.nz>; Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>; Hilary Eade <Hilary.Eade@hud.govt.nz>
Subject: RE: Ferncliffe discussion

Hi Rob,

The objectives for the programme are broad and quite "vanilla"; it would be difficult for anyone to disagree with them. However they don't provide much direction on how the programme should operate.

The objectives need to be translated into a strategy and operating model that can support a set of targets and investment criteria, which in turn could be used to consider opportunities. In the other papers to date, the objectives have been supported by content that discussed using powers, value-capture, land aggregation, off-market transactions etc that are about the operating model and how the objectives are given effect to. If every project is about scale and pace, what is it about any particular site that sets it apart from other opportunities? What is it about the operating model and target outcomes that is different?

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Robert Murray <Robert.Murray@hud.govt.nz>

Sent: Wednesday, 25 August 2021 9:58 AM

To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>; Kristin Aitken <Kristin.Aitken@hud.govt.nz>

Cc: Grace Xu <Grace.Xu@hud.govt.nz>; Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>; Hilary Eade <Hilary.Eade@hud.govt.nz>

Subject: RE: Ferncliffe discussion

Hi Glen,

Thanks for these clarifications.

Re the Programme objectives, these have been explicitly signed off by the Minister of Housing (and MoF's office has advised that he has offered his in principle agreement). They reflect what was agreed by Cabinet (i.e. to increase the the pace, scale and mix of housing developments, including more affordable housing), as well as Kainga Ora's own statutory objectives, functions and operating principles. So when you say the Programme's objectives aren't sufficiently clear, is what you're looking for specific measures/targets to demonstrate alignment with these objectives? Or is it that you have a different set of objectives in mind?

Regards,

Rob

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>

Sent: Wednesday, 25 August 2021 9:13 AM

To: Kristin Aitken <Kristin.Aitken@hud.govt.nz>

Cc: Robert Murray <Robert.Murray@hud.govt.nz>; Grace Xu <Grace.Xu@hud.govt.nz>; Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>

Subject: Ferncliffe discussion

Hi Kristin,

After our discussion yesterday I thought I would summarise Treasury's position by email just to be 100% clear (we had a couple of goes at summarising in the meeting and I wasn't sure we'd nailed it).

We do not support the Ferncliffe acquisition in its current form because it is unclear to us how the acquisition fits with the objectives and strategy of the Kāinga Ora Land Programme. That's not due to any specific weaknesses in the case for acquisition (though there are a few), rather because the objectives of the Land Programme as a whole are not sufficiently clear, and there is no strategy for how Kāinga Ora will achieve those objectives. These would provide some context for both assessing the merits of investment at this location in this way, and for determining whether the investment has delivered the desired outcomes.

If Ministers wish to go ahead with the acquisition based on their understanding of the programme objectives there are a number of areas where the case could be strengthened. As the first acquisition in the programme this will set a

precedent so we want the Ministers to be basing their decisions off good information. We mentioned a number of items on the call (additionality, development intensity, options and option selection, financial case, purchase price, Iwi engagement etc) where improvement could be made to the case. Some of these things need to be addressed up front, some might be highlighted for further attention in the more detailed business case. I agree with Rob's characterisation that should Ministers want to go ahead the minimum requirements should be: being sure Kāinga Ora are not paying too much, having a clear description of the additionality/value to be delivered by Kāinga Ora undertaking the development rather than the private market, and having a clear description of options and off-ramps should the subsequent business case not stack up.

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

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Title of paper	Acquisition of Ferncliffe Farms under the Kāinga Ora Land Programme
Minister and agency	Hon Dr Megan Woods, Minister of Housing Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development
Description	Kāinga Ora is proposing to purchase a ~95 ha greenfield development site known as Ferncliffe Farms at Tauriko West, Tauranga. The proposal meets the thresholds for Cabinet consideration provided in Cabinet Office Circular CO(19) 6.
Comments	<p>This is the first acquisition being proposed under the Kāinga Ora Land Programme (the Programme). The Programme was approved by Cabinet in March 2021. Key measures of success for the Programme are the extent to which it delivers housing that is genuinely additional to – and more affordable than – what the market would have delivered on its own.</p> <p>Kāinga Ora’s proposal is to undertake a medium density development on the site, but due diligence was initially focused on a lower density development case. As a consequence there are weaknesses in the feasibility analysis. Acquiring the site will enable Kāinga Ora to complete more accurate feasibility work and prepare a Project Business Case based on the medium density case. While Kāinga Ora is confident that the medium density case will prove feasible, it has not yet demonstrated why. Should the business case show the project is feasible, it will provide an opportunity for Kāinga Ora to demonstrate the benefits of more intensive urban development – potentially even showing the model is commercially viable for similar greenfield locations.</p> <p>To minimise risks, Ministers need to be sure that Kāinga Ora is not overpaying for the site, that there are realistic off-ramps, and that these exit options are preserved and will be used rather than assuming a default of “escalation of commitment”. In particular, Kāinga Ora should avoid committing to substantive development works until after Ministers have approved the Project Business Case.</p>
Consulting Minister’s due date	10am, Wednesday 13 October
Cabinet or Cabinet Committee	DEV
Fiscal implications	The Kāinga Ora Board has endorsed the acquisition for up to \$71.4 million + GST. This cost will be met from within Kāinga Ora’s existing borrowing limit.
Recommended action	Treasury supports

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Thursday, 8 April 2021 9:58 am
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: Implementation workshop

Hi Bastiaan,

Good to talk just now.

As discussed, I've organised a workshop with Kāinga Ora on Wednesday from 1pm to 4pm. The purpose of the workshop is to inform further advice on implementation of the Kāinga Ora Land Programme. It would be great if someone from Treasury was able to attend too.

The draft agenda currently includes:

- Purpose and introductions
- Background
- Indicative project scope and workstreams
- Programme objectives and investment principles
- Key considerations for programme design
- Implications for project workstreams:
 - Policy
 - Finance
 - Governance and decision making
 - Monitoring and evaluation
- Next steps

I'm planning to circulate a slide pack ahead of the meeting, which will cover off the decisions made to date as well as some of the key questions and issues that we still need to bottom out. Attached FYI are some of the draft slides that I've prepared to date, which I'm planning to use as discussion prompts.

As always, happy to discuss.

Regards,

Robert Murray

Principal Advisor | Urban Development Regulatory Tools

Place-based Policy and Programmes

robert.murray@hud.govt.nz | Phone: s9(2)(k)

www.hud.govt.nz | Level 7, 7 Waterloo Quay, Wellington



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



Implementation project scope

Workstream	Scope	Who
Policy	Securing ministerial agreement to the detailed policy objectives, investment parameters, performance expectations, and financial arrangements (appropriations and debt protocol) for the programme	HUD: Rob and Jane KO: Ingrid and Linda
Finance	<ul style="list-style-type: none"> • [Budget 2021] • Establishing the relevant appropriation(s)/output class(es) • Updating the debt protocol (including drawdown framework) to support an additional \$2 billion of Kāinga Ora borrowing 	TBC
Governance and decision making	Confirming the roles of the Board, Ministers and officials.	TBC
Monitoring and evaluation	Developing a monitoring and evaluation framework for the programme	TBC



Indicative programme objectives

Core objectives:

- Increase the supply of build ready land
- Increase the pace, scale and density of housing development
- Increase the proportion of homes that are affordable for low-to-moderate income households, whether to rent or own

Supporting objectives:

- Support sector innovation, capacity and capability
- Support good access to public transport, jobs, education and amenities



Key consideration for programme design

- What would success look like at the highest level?
- What differentiates ‘strategic’ land acquisitions from other acquisitions, including what the market is doing?
- What factors will Kāinga Ora need to consider when deciding:
 - where to acquire land?
 - what mix of housing and urban development to facilitate on that land?
- Who will Kāinga Ora need to engage and/or partner with in order to:
 - Coordinate its investment with other central and local government agencies?
 - Leverage contributions and concessions from third parties?



Implications for programme design

- What mechanisms will we need to put in place to protect Māori interests and support their aspirations in relation to housing and urban development?
- What are the different development models that Kāinga Ora might use?
- How would these models affect the allocation of costs, risks and rewards between government, iwi, councils, private developers and others?
- What are the different ways to secure, and where practicable maintain, housing affordability?
- Anything else?



From: Bastiaan van der Scheer [TSY]
Sent: Tuesday, 20 April 2021 1:35 pm
To: Robert Murray
Cc: Jane Keane
Subject: RE: Kainga Ora Land Programme: next steps

Thanks Rob

Happy for you to say we'll likely have some views. Offhand I'd say we'd like to see links to the IFF SPVs and/or HAF type considerations to develop the land (contributions from others, cost recovery), and use of KO's UDA powers and links to Crown processes around RMA to focus on things the private sector may struggle to do (aggregate in CBDs, push TA restrictions on making room for growth up and out).

I'm unsure how the Land for Housing changes are going to be progressed by HUD but there might also be a link there and with the rejigged response fund for non-market outcomes (as well as KO's acquisition of public housing places from the finished development). Assume a KB link as well. Per our previous conversation keen for lines of separation but links to be made for wider housing outcomes.

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Tuesday, 20 April 2021 1:18 pm
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Hi Bastiaan,

Happy to push this out until Friday. That said, I've got a meeting scheduled with Ingrid and Linda from Kāinga Ora on Wednesday (after the workshop), at which I was hoping to agree the scope of the briefing to joint Minsters. It would be helpful to have prior knowledge of anything Treasury wants to see covered off in the briefing, but I can just let them know we are yet to talk and Treasury will likely have some views.

Regards,

Rob

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Tuesday, 20 April 2021 12:40 PM

To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Hi Rob

Would it be too late for useful input to push this to Friday?

Have got a couple of papers I need to provide feedback on this afternoon so am getting a bit squeezed.

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Monday, 19 April 2021 2:25 pm
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Works for me. Have sent you an invite for a face to face meeting. Let me know if you'd rather meet by Teams.

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Monday, 19 April 2021 1:37 PM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Cheers, how about 3pm tomorrow?

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Monday, 19 April 2021 11:51 am
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>

Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Hi Bastiaan,

On the first issue, I understand we have left the door open for Kāinga Ora Land Programme projects to benefit from the infrastructure funding provided from the Infrastructure Fund. However, they'd probably need to work through councils as the conduit and secure their support – Jane and Joey are still working through the details.

I'm currently free for a catch-up between 1pm and 4.30pm today, and from 3pm tomorrow.

Regards,

Rob

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Monday, 19 April 2021 11:18 AM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Cool, one thing that occurred to me for the infrastructure fund was that it might not be able to be black and white about KO not applying if it's in respect of LP land they're developing for the Crown. At the moment I think KO is down as not being able to apply.

When do you want to discuss?

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Monday, 19 April 2021 11:15 am
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Wednesday is just a continuation of last Wednesday's session focussed on the remaining questions in the attached slide pack (slides 10 and 11), which we didn't get to last week.

I have been working on a draft briefing, but aren't planning to share it with the whole group yet. I want to test the logic with policy/strategy people in the first instance. Happy to walk you through where my thinking is at though.

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Monday, 19 April 2021 11:08 AM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

May be more useful to meet to discuss first draft of the report-back/decision document - is anything being distributed for Wednesday?

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Monday, 19 April 2021 11:03 am
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Hi Bastiaan,

Sorry, we explored other slots but this is the only time and day that works for most KO and HUD people.

Happy to have a separate meeting with you, if that works?

Regards,

Rob

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Monday, 19 April 2021 8:09 AM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme: next steps

Hi Rob

I'd very much like to attend, any chance you could shift to a Tuesday or Thursday?

Cheers,

Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

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-----Original Appointment-----

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz> **On Behalf Of** Robert Murray
Sent: Monday, 19 April 2021 8:06 am
To: Bastiaan van der Scheer [TSY]
Subject: FW: Kainga Ora Land Programme: next steps
When: Wednesday, 21 April 2021 1:00 pm-2:00 pm (UTC+12:00) Auckland, Wellington.
Where: MEET WLG 8.01 (4) VC WB

-----Original Appointment-----

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Monday, 19 April 2021 7:54 AM
To: Robert Murray; Hilary Eade; ^Hud: Glenn Phillips; Simon Floris; Shane Matthews; david.ison@kaingaora.govt.nz; Linda Taylor; Ingrid Arnestedt; ^HUD: David Shamy; Glen Thomson [TSY]
Cc: Jane Keane; Katie Wellington; geoff.mills@kaingaora.govt.nz
Subject: Kainga Ora Land Programme: next steps
When: Wednesday, 21 April 2021 1:00 PM-2:00 PM (UTC+12:00) Auckland, Wellington.
Where: MEET WLG 8.01 (4) VC WB

Hi All,

This is a continuation of last week's workshop, for those who are able to attend.

We're a bit short on room space at HUD, so if you're planning to attend in person rather than via Teams please let me know.

Regards,

Rob

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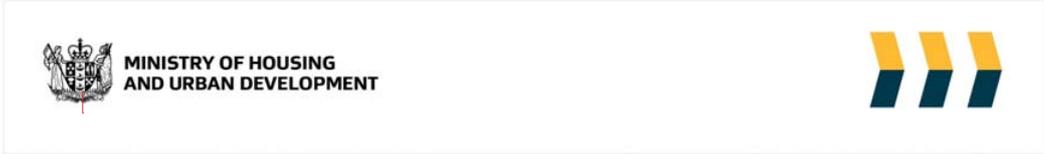
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Briefing

Implementing the Kāinga Ora Land Programme			
Date:	1 July 2021	Security level:	
Priority:	Choose an item.	Report number:	BRF20/21050950

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<u>Agree recommendations</u>	TBC
Hon Dr Megan Woods Minister of Housing	<u>Agree recommendations</u>	TBC

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Contact for discussion				
Name	Position	Telephone		1 st contact
<u>Brad Ward</u> <u>Hilary Eade</u>	<u>Deputy Chief Executive</u> <u>Kaiaki</u>	s9(2)(k)	s 9(2)(g)(ii)	✓ ←
<u>Hilary Eade</u>	<u>Kaiaki</u>			✓
Rob Murray	Principal Policy Advisor			

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Other agencies consulted
Kāinga Ora – Homes and Communities, <u>the Ministry of Social Development</u> , and Treasury <u>were consulted</u> . <u>The Department of the Prime Minister and Cabinet was informed</u> .

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) <hr/>	Comments
--	---------------------------------

Date returned to MHUD:



Briefing

Implementing the Kāinga Ora Land Programme

For: Hon Grant Robertson, Minister of Finance
Hon Dr Megan Woods, Minister of Housing

Date: 1 July 2021 **Security level:**

Priority: Choose an item. **Report number:** BRF20/21050950

Purpose

1. This briefing seeks your agreement to the overarching policy objectives for the Kāinga Ora Land Programme (the Programme), and reinforces ~~the Government's~~ expectations of Kāinga Ora in relation to:
 - ~~a.~~ protecting Māori interests and supporting Māori aspirations
 - ~~b.~~ ~~a.~~ joined up investment planning through a place-based lens, and
 - ~~c.~~ ~~b.~~ when and how Ministers will be involved in decision making.
2. This briefing also provides an overview of how Kāinga Ora intends to give effect to ~~the~~ government objectives and expectations, including its approach to acquiring land and securing development outcomes under the Programme, for your information.

Executive summary

3. The Programme differs from other aspects of the housing supply and affordability package in that Kāinga Ora will be administering the Programme in its own right. This means its Board will ultimately be responsible for implementing the Programme in a financially responsible manner that is consistent with government objectives and priorities, including the ones proposed in this briefing.
4. This briefing therefore seeks your agreement to the overarching objectives of the Programme, and reinforces the Government's expectations of Kāinga Ora in relation to ~~collaboration~~, partnering with Māori, and Ministerial engagement.
5. We propose that the Programme's primary objectives are to increase the:
 - a. supply of build ready land for housing and urban development
 - b. pace, scale, density and ~~regional~~ geographic spread of housing development
 - c. proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own.
6. We also propose that you agree to a range of supporting objectives relating to: Māori interests; supporting sector capacity and innovation; access to transport, jobs and amenities; and climate change.
7. Kāinga Ora, in consultation with HUD, has been developing an approach to implementation that is consistent with the objectives and expectations set out in this briefing. This briefing provides, for your information, an overview of the approach Kāinga Ora intends to take to selecting development sites and negotiating development outcomes with its development partners. It plans to assess and prioritise land acquisitions against a cascade of criteria that

includes consideration of strategic alignment, alignment with housing need, and site-specific due diligence. The indicative process is summarised in Annex A. ~~It includes consideration of relevant Māori interests and aspirations.~~

8. The Programme is not about ~~directly~~ competing with private developers, and replicating what they are already doing. Under the default development model, Kāinga Ora will acquire and assemble land; undertake any preparatory works ~~that it~~ Kāinga Ora is best placed to manage, and on-sell the land to development partners (including iwi, private developers, institutional investors and community organisations) on condition that they complete the development in accordance with Government housing priorities (e.g. pace, density, tenure mix, etc). ~~Kāinga Ora will pay for any public housing component that it wishes to retain from its dedicated public housing finding and financing arrangements~~
9. When negotiating development agreements, Kāinga will need to make some trade-offs and strike a careful balance between facilitating housing delivery at pace and scale, the proportion and price point of affordable homes (including purpose-built rentals), and managing the costs and risk to Government. In some cases, Kāinga Ora may need to offer additional financial support in order to secure non-market outcomes. This could involve selling land to development partners on concessionary terms (e.g. deferred settlement or a discount to market value) or providing ~~an explicit subsidy (e.g. grant funding for CHPs)-targeted support for certain upfront costs~~. The \$46 million annual operating funding allocated to the Programme via Budget '21 includes provisioning of \$10 million per annum ~~(on average)~~ for this purpose.
- 9-10. ~~The counterfactual in places like Rotorua is that the market will continue to drip feed new supply at prices low-to-moderate income households cannot afford, contributing to declining affordability, increased crowding, and increased demand for public housing and other forms of Government housing support.~~
- 10-11. Consistent with the letter of expectations, Kāinga Ora ~~will~~ consult Ministers on, and/or seek Ministerial agreement to, investment decisions in accordance with the expectations set out in Cabinet Office Circular CO (19) 6: *Investment Management and Asset Performance in the State Services*. Ministerial agreement will also be sought where required by statute (e.g. to compulsorily acquire land under the Urban Development Act).
- 11-12. HUD is working with Kāinga Ora and Treasury to develop key performance indicators and reporting arrangements for the Programme. We will seek your agreement to these at the end of July 2021.

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Recommended actions

12-13. It is recommended that you:

1. Note that on 15 March 2021 Cabinet agreed to a Kāinga Ora Land Programme (the Programme) that would strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing [Cab-21-MIN-0061 refers]	Noted
2. Note that on 12 April 2021 Cabinet agreed to provide \$46 million per annum of operating funding for the Programme as part of Budget 2021, which will be used to service \$2 billion of Kāinga Ora borrowing for land acquisition and development, meet holdings costs, allow for development risks, and expense any land value write-downs and provide other targeted support [CAB-MIN-0116.15 refers]	Noted
3. Agree that the Programme's primary objectives are to increase the: <ul style="list-style-type: none"> 3.1 supply of build ready land for housing and urban development 3.2 pace, scale, density and regional geographic spread of housing development 	Agree / Disagree

<p>3.3 proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own</p>	
<p>4. Agree that the Programme's supporting objectives include:</p> <p>4.1 supporting sector innovation, capacity, and capability</p> <p>4.2 supporting good access to public transport, jobs, education, and amenities</p> <p>4.3 protecting Māori interests and supporting Māori aspirations in relation to housing and urban development</p> <p>4.4 Mitigating and adapting to climate change.</p>	<p>Agree / Disagree</p>
<p>5. Note that Kāinga Ora proposes assessing and prioritising potential land acquisitions against a cascade of indicative assessment criteria (summarised in Annex A) incorporating the following dimensions:</p> <p>5.1 strategic alignment - including with the Government Policy Statement on Housing and Urban Development and the specific objectives outlined in 3. and 4. above</p> <p>5.2 alignment with need – including consideration of key data, the Public Housing Plan, and insights gathered through urban growth and place-based partnerships with iwi, local government and others</p> <p>5.3 high level due diligence – principally desktop based, including analysis of titles and council records</p> <p>5.4 detailed due diligence – including consideration of commissioning expert analysis and advice as appropriate (e.g. registered valuations and geotechnical advice), as appropriate</p>	<p>Noted</p>
<p>6. Note that the funding and financing settings for the Programme have been sized on the assumption that the the default development model will involve Kāinga Ora:</p> <p>6.1 preparing land for development, including installing on-site infrastructure and undertaking land remediation where necessary,</p> <p>6.2 then on-selling that land to development partners on condition that they complete the development in accordance with a Development Agreement that reflects government priorities</p> <p>6.3 paying for any public housing component that it wishes to retain from its dedicated public housing finding and financing arrangements,</p>	<p>Noted</p>
<p>7. Note that in some cases it may make sense for land to be developed in a manner that deviates from the standard approach (e.g. where it would be preferable to progress the development as a Specified Development Project under the Urban Development Act), and Kāinga Ora will consult Ministers on these alternative approaches as where appropriate. (refer recommendation 8 below)</p>	<p>Noted</p>
<p>8. Note that the investment decisions of the Kāinga Ora Board (or delegate) under the Programme will be made in accordance with Cabinet Office Circular (19) (6) <i>Investment Management and Asset Performance in the State Services</i>, including:</p> <p>8.1 Consulting responsible Ministers on any high-profile procurements, high-risk investments, or investments with a whole life costs exceeding \$50 million (based on Kāinga Ora's current Investor Confidence Rating)</p>	<p>Agree / Disagree / Noted</p>

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<p>8.2 Obtaining Cabinet agreement for all investments that require new Crown funding or support</p> <p><u>8.2</u></p>	
<p>9. Note Kāinga Ora will also need to obtain relevant Ministerial approvals to access certain powers and functions under the Urban Development Act (e.g. from the Minister for Land Information when compulsorily acquiring land) and other relevant statutes</p>	<p><i>Noted</i></p>
<p>10. Note Kāinga Ora will implement a range of measures to ensure the Programme protects Māori interests and and supports Māori aspirations, including early and meaningful engagement with Māori and providing Māori with opportunities to participate in the developments</p>	<p><i>Noted</i></p>
<p>11. Note that Kāinga Ora <u>has entered into a conditional agreement to purchase 95 hectares of land in Tauranga for the Programme, and anticipates entering into further conditional purchase agreements for the first tranche of land acquisitions in the first quarter of the 2021/22 financial year</u></p>	<p><i>Noted</i></p>
<p>12. Note that HUD is working with Kāinga Ora and Treasury to develop key performance indicators and reporting arrangements for the Programme, <u>including regular reporting to joint Ministers,</u> for your consideration at the end of July 2021.</p>	<p><i>Noted</i></p>

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Hon Grant Robertson
Minister of Finance

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Hon Dr Megan Woods
Minister of Housing

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Background

~~13-14.~~ On 15 March 2021, Cabinet [CAB-21-MIN-0061 refers]:

- Agreed to the Programme to enable Kāinga Ora to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing; and
- Noted that the operating funding (\$46 million per annum) required to support the Kāinga Ora borrowing (\$2 billion) for the Programme would be sought through Budget ~~'20~~21.

~~14-15.~~ The \$46 million operating funding was approved by Cabinet on 12 April 2021 and allocated in Budget '21 [CAB-21-MIN-0116.15 refers]. It is intended to cover land holding costs, interest payments and development risks, and support delivery of a range of non-commercial outcomes (e.g. affordable rentals) through Kāinga Ora selling land below highest market value or providing ~~other targeted support~~~~express subsidies~~ where necessary.¹

~~15-16.~~ The Programme differs from other aspects of the housing supply and affordability package (e.g. the Infrastructure ~~Acceleration~~ Fund and Residential Development Response Fund) in that Kāinga Ora will be delivering the Programme in its own right rather than on behalf of the Crown. The Kāinga Ora Board will therefore ultimately be responsible for ensuring the Programme and related assets are managed in a financially responsible manner consistent with Government objectives. The Programme will complement the separately funded land acquisition and development activities Kāinga Ora is already undertaking to increase the supply of public and transitional housing, and on behalf of the Crown via the Housing Agency Account (~~like e.g.~~ Hobsonville Point).

The Programme will enable Kāinga Ora to perform its urban development role

~~16-17.~~ Kāinga Ora was established with an express mandate to be both a world class public landlord and to partner with others to deliver a range of urban development projects catering to diverse housing needs and aspirations. ~~In addition to this end,~~ the Urban Development Act provides Kāinga Ora with access to an array of urban development powers including:

- Land acquisition and assembly powers² These powers are additional to Kāinga Ora's ability to acquire land ~~in the usual manner~~ using ~~the same legal powers as a~~ its natural person ~~powers~~;
- A toolkit of powers relating to land use planning, consenting, infrastructure provision and reserves, that Kāinga Ora and its development partners can access when undertaking Specified Development Projects.

~~17-18.~~ The Programme will provide Kāinga Ora with the financial resources to deliver on its urban development mandate, leveraging its unique powers where necessary.

~~18-19.~~ Initial analysis suggests that the Programme could secure land for up to 27,000 houses over the next 20 years. However, this is based on ~~several a range of~~ assumptions. The actual number will depend on a range of variables including the extent of non-commercial outcomes sought (which will affect capital recycling), and the outcome of

¹ Budget '21 also provided Kāinga Ora with separate funding that can be used for site identification and due diligence as part of the \$133.12 million Kāinga Ora Sustainable Funding initiative.

² This includes processes under which the Minister for Land Information can compulsorily acquire land for, and transfer former reserve land and land already held for a public work to, Kāinga Ora.

commercial negotiations with existing land and owners and prospective development partners.

Programme objectives

~~19-20.~~ We have developed this advice based on the following core objectives, and recommend you agree to adopt these as the Programme's formal objectives. They are derived from the Government's overarching objectives for housing and urban development [CAB-21-MIN-0018-refers], the Programme specific Cabinet decisions to date, and Kāinga Ora's own statutory objectives, functions, and operating principles³.

- **Primary objectives:** increase the supply of build ready land for housing and urban development; increase the pace, scale, density and ~~geographic-regional~~ spread of housing development; and increase the proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own
- **Supporting objectives:** support sector innovation, capacity, and capability; support good access to public transport, jobs, education, and amenities; protect Māori interests and support Māori aspirations in relation to housing and urban development; mitigate and adapt to climate change.

Programme design and parameters

~~20.~~ Cabinet agreed the Programme on the basis that it would enable Kāinga Ora to strategically purchase a mix of brownfield and greenfield land to increase the pace, scale and mix of housing, including more affordable housing.

~~21.~~ The Programme is not about directly competing with private developers, and replicating what they are already doing. The key measure of success will be the extent to which the Programme facilitates housing provision that is genuinely additional to, and more affordable than, what the market might otherwise have delivered. This includes ~~facilitating~~ delivering housing ~~delivery~~ in ways and places that ~~would not otherwise be viable or are not~~ commercially attractive ~~for~~ private developers.

~~22.~~ To this end, the Programme's key value add includes its ability to:

- ~~Require certain development outcomes as a condition of on-selling land, to ensure it is developed in a way that meets a diverse range of housing needs and aspirations, and reflects the government's broader wellbeing objectives;~~
- ~~Where appropriate, bring some unique tools to bear that are not available to the private sector – including statutory land assembly and development powers; and~~

~~24-c.~~ Coordinate its activities with other government investment (e.g. via Infrastructure Acceleration Fund), to ensure that the uptake of development capacity is optimised.

~~22-23.~~ To achieve its objectives, the Programme will need to facilitate a mix of smaller, more straightforward developments that can be progressed at pace; and larger, more complex developments that will have longer lead times (e.g. because of more complex planning and infrastructure requirements) but will provide a steady pipeline of work for development partners and be more impactful in the long-run. The projects will likely include some demonstration projects (e.g. to demonstrate demand for medium-density housing in locations where it is untested, like Hastings).

³ As set out in sections 12 to 14 of the Kāinga Ora–Homes and Communities Act.

~~23-24.~~ The following subsections describe how Kāinga Ora intends to give effect to these expectations when selecting sites and negotiating development outcomes with its development partners.

How Kāinga Ora will assess and prioritise land acquisitions

Acquisition will be assessed against a cascade of criteria

~~24-25.~~ Kāinga Ora proposes assessing and prioritising potential land acquisitions against a cascade of assessment criteria, incorporating the following dimensions.

- **Strategic alignment** – including with respect to the Government’s overall direction and priorities for housing and urban development (as set out in Government Policy Statement on Housing and Urban Development and Kāinga Ora’s accountability documents), and the more specific objectives of the Programme set by Ministers.
- **Alignment with need** – land acquisitions will focus on improving housing supply where there is demonstrated need and projected growth that the market cannot or will not address on its own, and where the Programme is an appropriate intervention to address the underlying barriers.
- **High level due diligence** – this would be primarily desktop based and include searching titles and council records, and investigating any relevant Māori interests.
- **Detailed due diligence** – this stage would include commissioning expert advice as appropriate (e.g. registered valuations, geotechnical and contamination sampling and reports, indicative bulk and location to inform potential dwelling yield, etc) to ensure that purchase decisions are well informed, and reflect the land’s fair market value. It will also involve high level feasibility modelling and financial forecasting.

~~26.~~ Potential acquisitions will be assessed against each dimension sequentially, given **detailed due diligence**~~the latter assessment categories~~ can involve significant search and specialist fees and a significant proportion of prospective sites will be excluded before they reach this stage. Similarly, the level of detailed due diligence will need to be proportionate to both the risks involved (e.g. site size and purchase price) and the time available, given many acquisition opportunities will be time limited. Some simple acquisitions will be subjected to a more basic level of investigation, particularly on market lower value acquisitions.

~~Taking a joined-up, placed based approach~~

~~27.~~ In undertaking these assessments, Kāinga Ora will need to engage with **HUD, Waka Kotahi, and** other central and local government agencies to ensure that its activities are focussed on the places it can make the most meaningful contribution to alleviating housing supply and affordability pressures, and coordinated with other central and local government investment (e.g. infrastructure investment and HUD’s public housing purchasing intentions). Kāinga Ora is already an active participant in the existing urban growth and place-based partnerships alongside HUD, local government, iwi, and others. ~~Kāinga Ora will focus on locations with market gaps that the private sector and others can’t or won’t address on their own.~~

~~28.~~ **Every location and partnership is different, and HUD, Kāinga Ora and other agencies are still deepening their understandings of specific markets, but as a general rule:**

a. In places with established urban growth partnerships (e.g. Tauranga and Wellington), it is expected that Kāinga Ora will look to align its investment decisions with the emerging spatial plans and objectives agreed by Government. This will help to ensure that Kāinga Ora’s investments are aligned with the objectives agreed by the partners, and takes full advantage of public investment in related transport and three waters infrastructure (e.g. through taking advantage of value uplift opportunities and maximising density uptake alongside key transport corridors and nodes)

b. In places where we have established place-based partnerships (e.g. Rotorua and Hastings) it is expected that Kāinga Ora will focus on responding to the specific needs, barriers and opportunities identified through those partnerships.

29. To inform prioritisation decisions within and between places, HUD is developing an updated heat-map that, at a high level, will show relative housing needs across New Zealand based on a suite key indicators (e.g. homelessness, rent stress and home-ownerships affordability) HUD is also working with Kāinga Ora and other partners to develop more detailed housing stocktakes/plans for priority locations. (e.g. Rotorua).

30. The insights gathered from the above activities will help to inform updates to Kāinga Ora's emerging Regional Investment Plans and Area Development Strategies, as well as an updated Urban Development Direction. Given the importance of responding to the housing crisis with urgency, we anticipate that some acquisitions will be finalised prior to completion of these documents, but nevertheless still informed by progress to date.

31. By way of example, as discussed with the Minister of Housing, Kāinga Ora has recently entered into a \$70 million conditional agreement to purchase a 95-hectare mixed-tenure greenfield development opportunity at Tauriko West under the Programme. The site requires rezoning, and has the potential to yield up to 1,000 homes. As the value of the proposed transaction exceeds \$50 million, it will need to be considered by Cabinet (refer paras 50 to 53 below). Kāinga Ora, in consultation with HUD and Treasury, will provide you with a detailed briefing on the proposed acquisition by [insert date]. Further high-level information is provided in Annex B.

25. —

It is anticipated that most land will be acquired from ~~private~~ vendors on a willing seller, willing buyer basis

26-32. In most cases, it is anticipated that Kāinga Ora will acquire land from vendors on a willing seller, willing buyer basis. The most likely exceptions are where land is:

- Currently held for a public work and has become surplus to that public work. There are well established processes under which agencies wishing to dispose of land must offer that land to Kāinga Ora and HUD for housing purposes prior to commencing the formal disposal process (e.g. offers back to former owners) under the Public Works Act [CBC-17-MIN-0100 refers]
- Compulsorily acquired for a specified work under the provisions of the Urban Development Act.⁴ Compulsory acquisition would only be used as a last resort after reasonable attempts to reach a voluntary agreement with the owner, and reserved for situations where there is a lack of viable alternatives. For example, where land is tightly held by a limited number of land bankers or land needs to be merged in order to deliver an efficient and effective urban form.

33. To mitigate the risk of driving up land prices, Kāinga Ora will look to purchase land 'off market' where possible. This could include forming strategic partnerships with significant landowners who are keen to divest and realise some public good outcomes. Land price pressures can also be managed through Kāinga Ora coordinating its activities with other agencies, with a view to acquiring land prior to rezoning and government investment in value adding infrastructure and amenity where practicable, and demonstrating a willingness to utilise compulsory acquisition where necessary. Further, some incumbent developers may choose to fast-track their own section releases in order to beat Kāinga Ora led developments to market – placing downwards pressure on section prices.

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⁴ The definition of a specified work under the Urban Development Act includes housing, urban renewal and a range of supporting infrastructure, facilities, and amenities.

~~27-34. HUD and Kāinga Ora will also update their existing information sharing protocols to ensure that the Kāinga Ora Land and Land for Housing Programmes are not competing for the same pieces of land.⁵ The expectation is that neither agency would acquire land without first discussing its intentions with the other agency.~~

~~28-35. A fuller overview of the process Kāinga Ora intends to follow when acquiring land under the Programme is provided for your information in Annex A.~~

Approach to development

The default development model will leverage partnerships

~~29-36. This is not about Kāinga Ora doing everything itself.~~ The funding and financing settings for the Programme have been sized on the assumption that, in most cases, Kāinga Ora will purchase and assemble land; undertake any preparatory works that Kāinga Ora is best placed to manage (e.g. for coordination reasons or to realise scale efficiencies)⁶; and on-sell the land to development partners (including iwi, private developers, institutional investors and community organisations) on condition they complete the development in accordance with the Government's housing priorities ~~(pace, density, tenure mix, etc)~~. This approach will support ~~rapid~~ recycling of Kāinga Ora's borrowings and leverage non-government resources, investment, and innovation to maximise the pace and scale of housing delivery.

~~30-37. Kāinga Ora will draw on its experience in selecting and contracting development partners to deliver market and affordable housing as part of the Large-Scale Projects in Auckland and Porirua. The process to select development partners will depend on the scale and location of the development. Kāinga Ora will also need to ensure that it satisfies any obligations to Māori in the first instance (refer below). Further information on the approach to selecting and contracting development partners is provided in Annex CB.~~

Developments partners may require additional support to deliver non-market outcomes

~~31. When negotiating development terms with prospective development partners, Kāinga Ora will need to strike a balance between facilitating housing delivery at pace and scale, the proportion and price point of affordable homes, and managing the costs and risks to Government. It will also need to take account of regional and site-specific differences in housing demand, constraints, and development economics.~~

~~38. The target tenure mix will be determined by Kāinga Ora as part of the assessment on the basis of the site's suitability for a range of housing typologies, including transitional and public housing, purpose built rental housing and affordable and market homes for sale⁷. While suitability for public and transitional housing demand is an important consideration, it should be balanced by the objective of the programme to increase the proportion of homes that are affordable for low-to-moderate income households, whether to rent or own.~~

~~32-39. When negotiating development terms, Kāinga Ora will need to strike a balance between facilitating housing delivery at pace and scale, the proportion and price point of affordable homes, and managing the costs and risks to Government. It will also need to~~

⁵ ~~The Land for Housing Programme has remained with HUD following the formation of Kāinga Ora to ensure that the Crown can continue to meet its Treaty obligation to iwi. The Programme cannot be transferred to Kāinga Ora without the express agreement of iwi, as this would constitute a variation to the terms the collective Treaty settlement with Ngā Mana Whenua o Tāmaki Makaurau and various other memoranda of understanding between the Crown and iwi.~~

⁶ Depending on the site size and complexity, this could include undertaking preliminary design and consenting, working with the local authority to ensure the availability of bulk infrastructure, and undertake some land development (including on-site remediation, earthworks and drainage).

⁷ Considerations will include demand assessment data, public housing waiting lists, local affordability issues, rental market supply issues and development economics

take account of regional and site-specific differences in housing demand, constraints, and development economics.

~~33-40.~~ In most cases, the outcomes sought by Kāinga Ora will represent a departure from the land's highest and best (i.e. most profitable) commercial use⁸. For example:

- a. Developing land at greater pace and/or higher density than market norms requires more working capital and exposes the developer and their financiers to increased development and sales risks
- b. Developing affordable housing, whether for ownership or rental, is typically less profitable than developing housing for sale or rent on the open market with unconstrained eligibility criteria and price-points
- c. The presence of public housing could adversely impact the market attractiveness of other houses in the development.

41. The ability to secure access to well-located land with good access to infrastructure and amenity will be a sufficient drawcard on its own for many developers to want to partner with Kāinga Ora, and agree to deviate from the most profitable development approach. However, the further the housing outcomes sought from development partners deviate from the highest and best commercial use of the land, the more likely that Kāinga Ora will need to offset this deviation in order for the project to remain financial viable via the provision of either a direct or indirect subsidy. Under the default development model, this could involve:

~~d.~~ Kāinga Ora reducing development partner's risks and holding costs by obtaining earthworks and sub-division consents, and undertaking any required site-remediation, prior to on-selling the land

a.

~~e-b.~~ Selling land to development partners on a deferred settlement/payment basis;

~~f-c.~~ Encouraging development partners to apply for KiwiBuild underwrites to de-risk the sale of KiwiBuild homes;

~~d.~~ Drawing on the \$10.46 million per annum of operating funding provided by government to support non-commercial outcomes to on-sell land below market value or fund certain upfront costs, provide an explicit subsidy (e.g. upfront design work grant funding for CHPs), if necessary.

~~g-42.~~ The counterfactual in places like Rotorua is that the market will likely continue to drip feed supply of high-end housing, despite strong underlying population growth. This has already resulted in increased crowding and demand for public housing and Emergency Housing Special Needs Grants. It has also reduced the effectiveness of the Accommodation Supplement against the backdrop of increasing rents.

34-43. Where Kāinga Ora wishes to retain some of the land or completed dwellings long-term for its own public housing portfolio, it will transfer these properties to its wholly owned subsidiary, Housing New Zealand Ltd, at market value drawing on its dedicated public housing funding⁹ and financing arrangements.

35-44. Annex DC provides a fuller explanation of the types of adverse commercial impacts that the Programme may need to offset.

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⁸ From a property valuation perspective, a property's highest and best use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

⁹ Including any Income Related Rent Subsidy and, where appropriate, Operating Supplement provided by the Crown.

Alternative approaches may be considered on a case by case basis.

36-45. In some cases, it may make sense for land acquired by the Programme to be developed in a manner that deviates from the default development model (set out in paragraphs 359 to 4237 above). For example, where significant benefits (e.g. lower land acquisition costs, more permissive planning settings, better coordination of infrastructure investment, and the ability to generate and capture or reinvest value uplift) could be realised from progressing a development as a Specified Development Project under the Urban Development Act¹⁰ Kāinga Ora will seek Ministerial agreement to these alternative approaches as appropriate.

37-46. HUD has provided separate advice in briefing BRF20/21050979 on a mix of regulatory non-regulatory options to support the provision of purpose-built rentals. This includes, including the potential for Kāinga Ora to play a more active role in directly owning and providing rental housing for non-public housing tenants (noting this would require amendments to the Social Security Act), as well as facilitating third party provision through the Programme. Kāinga Ora is also preparing a report back on the implications of leasing, rather than selling, land to development partners and homebuyers [AH 21 011]. These reports will include consideration of the associated funding and financing implications.

Protecting Māori interests and supporting Māori aspirations

38-47. Both the Kāinga Ora—Homes and Communities Act and Urban Development Act place a particular emphasis on protecting Māori interests and supporting Māori aspirations. This includes specific requirements for Kāinga Ora to:

- identify and protect Māori interests in land, and recognise and provide for the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu, and other taonga
- partner and have early and meaningful engagement with Māori and offer Māori opportunities to participate in urban development.

39-48. In order to protect the integrity and commercial value of Treaty settlement redress, the Urban Development Act also expressly prohibits Kāinga Ora from initiating, facilitating, or undertaking an urban development project on Right of First Refusal (RFR) land without first offering the RFR holder the opportunity to develop the land themselves and, failing that, obtaining their agreement for the development to proceed.¹¹

40-49. In addition to *He Toa Takitini – Our Partnership and Engagement Framework*, Kāinga Ora is developing a Māori Engagement Framework, *Tūhono Māori*, which will provide more comprehensive guidance to its staff on engaging and partnering with Māori. The draft Government Policy Statement on Housing and Urban Development also requires Kāinga Ora to give effect to the Government's Māori and Iwi Housing Innovation (MAIHI) framework for action when performing its functions.

44-50. Among other things, it is expected that Kāinga Ora will fulfil its obligations to Māori by:

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¹⁰ In which case Kāinga Ora would need to develop a draft development plan that incorporates a structural plan and addresses the use of development powers, and funding tools, and any changes to existing resource management plans and policy statements).

¹¹ In the case of RFR land subject to the Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act, the Crown (via the Ministry of Housing and Urban Development) must satisfy its obligations to iwi under the Department of Building and Housing Protocol before involving Kāinga Ora or a private developer in the development, or agreeing to transfer any land that is subject to the Protocol to Kāinga Ora for development.

- a. Engaging with Māori through regional place-based engagement activities to understand their interests and aspirations. This includes, where established, mana whenua engagement forums through which cultural, environmental, and socio-economic outcomes are negotiated with iwi/ropu Māori
- b. Preparing Statements of Māori Aspirations in partnership with iwi/ropu as part of the Regional Investment Planning process to document their aspirations and inform project delivery
- c. Exploring Māori interest as part of the site due diligence process, including checking property titles and Treaty settlement deeds for relevant Māori interests (e.g. rights of first refusal), and engaging with Te Arawhiti in relation to any outstanding claims
- d. Providing Māori with opportunities to purchase (or potentially lease) land for housing development, including but not limited to right of first refusal land, and participate in developments led by others. For example, through requiring development partners to demonstrate their commitment to supporting Māori participation throughout the delivery process, including to build capacity and capability (e.g. apprenticeships for Māori youth and through supporting Māori businesses and build partners).

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Governance and decision making

42-51. Consistent with the letter of expectations, all investment decisions relating to the Programme will be made in accordance with the expectations set out in Cabinet Office Circular CO (19) 6 *Investment Management and Asset Performance in the State Services*. This means the Kāinga Ora Board (or its delegate) will be responsible for making all investment decisions subject to the following expectations:

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- Cabinet approval (following initial consultation with the Ministers of Finance and Housing) will be sought for all investments that require new Crown funding or support
- Cabinet will be provided with an opportunity to consider (following initial consultation with the Ministers of Finance and Housing):
 - High profile procurements (e.g. PPPs, innovative or non-traditional procurements, and alternative financing arrangements)
 - High value investments (i.e. with a whole of life costs exceeding \$50 million); based on Kāinga Ora's current Investor Confidence Rating carried over from Housing New Zealand Corporation
 - High risk investments (based on Treasury's risk profile assessment methodology)¹²

43-52. Ministerial agreement will also be sought for any transactions where ministerial approval is required by statute.¹³

¹² <https://www.treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/think-investment-possibilities/risk-profile-assessment>

¹³ This will include securing agreement from the:

- Minister for Land Information (following consultation with the Ministers of Treaty Negotiations, Conservation and Transport where required) to compulsorily acquire land, transfer land that is already held for a public work, or repurpose reserves using the Urban Development Act
- Minister of Finance and Housing before issuing any guarantees, indemnities or underwrites, as per the requirements of the Crown Entities Act
- Minister of Housing in relation to the land or classes of Land (if any) that Kāinga Ora may acquire in the name of the Crown under the Housing Act 1955, and the general scheme of development thereof.

~~44. HUD, Treasury and other relevant agencies will be informed or consulted as appropriate. Kāinga Ora and HUD are developing an agreed set of principles and procedures for HUD and other agency involvement across all Kāinga Ora investment decision making.~~

Key performance indicators and reporting

~~53. HUD is currently working with Kāinga Ora and Treasury to develop key performance indicators and reporting arrangements for the Programme, for your consideration at the end of July 2021.~~

~~54. We anticipate that this ~~This~~ will include further advice on:~~

~~a. Potential programme level targets (e.g. with the composition of houses enabled)~~

~~b. Regular Programme level reporting to Ministers on progress against the Programme level targets, use of the \$10 million per annum operating funding to secure non-commercial outcomes, and Kāinga Ora's average land acquisition cost relative to registered valuations.~~

~~c. The nature of the information that will be provided to Ministers in those situations where Ministerial involvement is required in order to meet the expectations of Cabinet Office circular CO (19) 6~~

~~d. Quality assurance mechanisms, including auditing arrangements.~~

~~45-55. This advice will inform feed into and complement work on development a broader monitoring and reporting framework across all of Kāinga Ora's programmes and projects~~

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Financial implications

~~46-56. You have already agreed HUD has also sought your agreement to increase Kāinga Ora's private borrowing limit by \$1.2 billion (to \$8.3 billion) to finance the next stage of its build programme through to June 2022. This includes a \$200 million debt headroom allowance for initial land purchases under the Programme [HUD briefing BRF20/21040921 refers].~~

~~47-57. Depending on the opportunities identified at any point in time, Kāinga Ora may wish to purchase land with a cumulative value greater than the level of borrowing available specifically for this purpose (the \$200 million). In this instance, Kāinga Ora and HUD will work through the available headroom in the existing borrowing limits and available financial assets and inform Ministers if a further increase in borrowing is necessary to enable purchases to proceed.~~

~~48. Given the additional borrowing forms part of a broader borrowing programme which is signalled to the market, it is not intended that any additional drawdown conditions are placed on this borrowing and reliance will be placed on the work undertaken to seek the overarching borrowing increase to provide assurance that future borrowing requirements are necessary at any given time. The regular reporting outlined in paragraph 47 above will provide the necessary assurance that borrowing has been utilised for its intended purpose.~~

~~49. Regular reporting on the non-market outcomes will also be incorporated to ensure that the agreed Budget 2021 operating funding of \$200 million across 20 years for these outcomes is providing the outcomes required.~~

Next steps

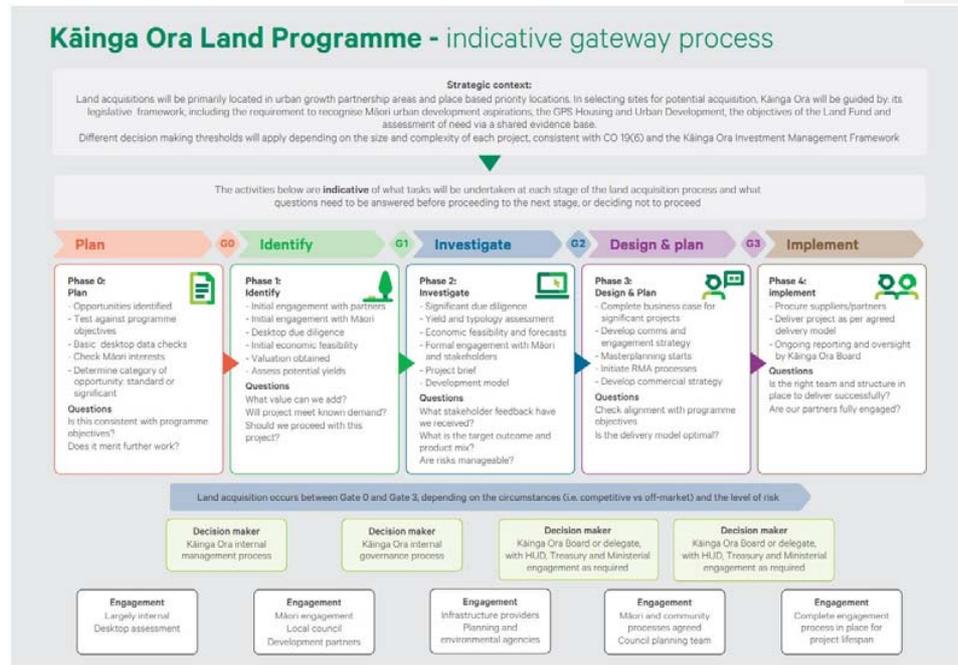
~~50-58. Subject to obtaining your agreement to the recommendations in this briefing, Kāinga Ora anticipates entering into conditional agreements to for the first tranche of land acquire initial sites in the first quarter of the 2021/22 financial year. A high-level summary of some potential development sites (in addition to Tauriko West) currently under investigation by Kāinga Ora is provided in Annex E.~~

Annexes

- [Annex A](#) – Site Assessment Framework and Gateways.
- [Annex B](#) – Overview of potential land acquisition opportunity at Tauriko West
- [Annex CB](#) – Approach to selecting and contracting development partners by Kāinga Ora
- [Annex DG](#) – How Government objectives could adversely impact commercial viability and risk
- [Annex ED](#) – Overview of [other](#) potential development sites currently under investigation by Kāinga Ora.

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Annex A: Site Assessment Framework and Gateways

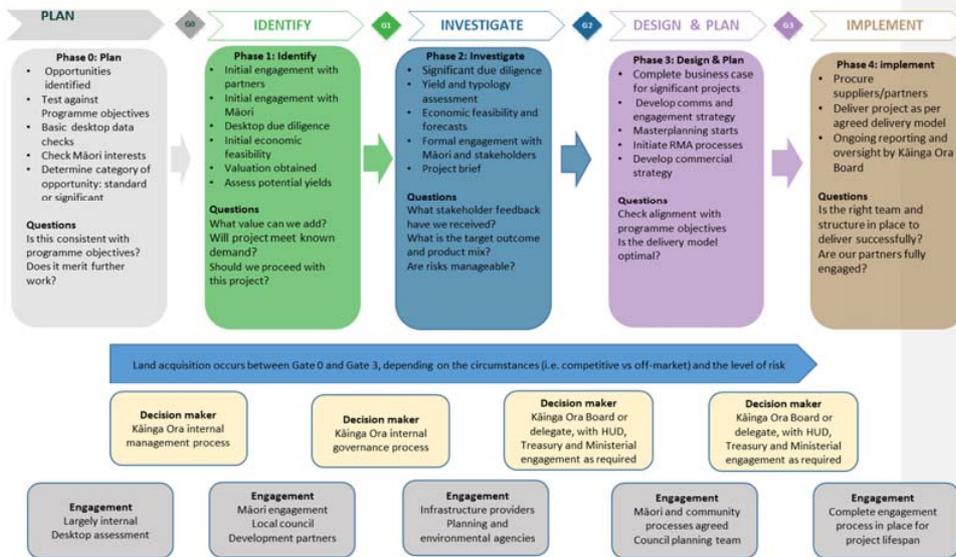


Placeholder diagram – to be polished

Kāinga Ora Land Fund – indicative gateway process

Strategic context: Land acquisitions will be primarily located in urban growth partnership areas and place based priority locations. In selecting sites for potential acquisition, Kāinga Ora will be guided by its legislative framework, including the requirement to recognise Māori urban development aspirations, the GPS Housing and Urban Development, the objectives of the Land Fund and assessment of need via a shared evidence base.
Different decision making thresholds will apply depending on the size and complexity of each project, consistent with CO 19(6) and the Kāinga Ora Investment Management Framework

The activities below are **indicative** of what tasks will be undertaken at each phase and what questions need to be answered before proceeding to the next phase, or deciding not to proceed



Annex B: Overview of potential land acquisition opportunity at Tauriko West

1. Kāinga Ora has entered into a conditional contract for the proposed purchase of Ferncliffe Farm, Tauriko West, Tauranga with a 60 working day due diligence period currently underway. The approximately 95h site is predominantly zoned rural and will require a plan change. Initial due diligence indicates a potential yield of up to 1000 homes with the site located adjacent to retail and business parks at Tauriko West. Kāinga Ora is an active member of SmarthGrowth and this area has been identified as a Priority Development Area within that strategy. Should Kāinga Ora proceed with the purchase of the site then we will engage with local iwi and Māori to identify their aspirations and the opportunities to participate in this development.

2. The value-add Kāinga Ora brings to this opportunity is summarised as follows:

Wider variety of housing choice (tenure and typology)

3. This land acquisition offers a significant opportunity to reshape greenfield development in Tauranga away from a traditional model of single level detached housing toward a medium density masterplanned development with a greater variation in housing choice and typology (including terraced housing and potentially apartments). It would also provide more control over housing price points, affordable housing outcomes and the provision of social and public housing. This in turn is likely to put pressure on other developers to adjust their development models.

Ability to maintain house building momentum through market cycles

4. This project will have a long lead-in time given the required plan change as well as transport and waters investment. It will be approximately three to four years before house construction commences which will allow for detailed masterplanning, bulk earth works and land development to be undertaken. With an estimated 10 year project lifespan, Kāinga Ora is best placed to actively manage and continue to deliver housing at pace through any market downturn – something the New Zealand property industry does not do well.

Coordination of several stakeholders including central and local government

5. As well as the site providing a significant number of homes to help boost housing supply for the area, a wider central and local government approach presents itself for which Kāinga Ora is best placed to work through these complexities. For example, MoE is seeking land for primary and secondary schools with both Tauranga City Council and Waka Kotahi needing to undertake transport enabling works and a long term state highway realignment and strengthening in the area. Undevelopable parts of Ferncliffe Farm could also be utilised for wetland/environment enhancement – potentially benefitting the wider growth area by opening up more development yield on other landowner blocks.

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**Annex CB: Approach to selecting and contracting development partners by
Kāinga Ora**

1. Large projects are likely to involve a market registration of interest (ROI) process while smaller sites, particularly in regional centres with a limited supply of capable partners, may involve a direct negotiation process. Direct negotiation may also take place with prospective iwi/Māori development partners, including but not necessarily limited to any right-of-first refusal holders as per the requirements of the Urban Development Act.
2. The selection process, through a panel or ROI, is likely to involve a two staged process including criteria such as:
 - Demonstration of recent experience in building the nominated house typology
 - Ability to deliver affordable homes such as KiwiBuild and purpose build rentals
 - Ability to deliver a range of price points and meet design criteria
 - Ability to meet programme
 - Experience working within an existing community and managing stakeholders
 - Willingness to meet commercial expectations
 - Experience and/or willingness to support Māori urban development aspirations.
3. Following the selection process a Term Sheet will be negotiated followed by a Development Agreement. These will include the commercial terms of the agreement including:
 - The number and typology of houses to be delivered
 - Design guidelines and HomeStar obligations
 - Affordable home obligations, such as KiwiBuild
 - Purchase price and payment terms
 - Any revenue share agreement or open book arrangements
 - House delivery milestones
 - The development responsibilities of the developer and Kāinga Ora
 - Dispute resolution and remedies of default to ensure the developer commitments. are achieved

Annex DC: How Government objectives could adversely impact commercial viability and risk

Deviation from most profitable commercial approach	Adverse impact on commercial viability and risk
Developing at increased pace	<ul style="list-style-type: none"> ○ Requires more capital to be sourced and deployed/at risk at any given time (due to reduced staging) ○ Exposes the developer to increased sales (and price) risk, due to having to secure multiple buyers for multiple properties in a compressed timeframe and single location. ○ Doesn't allow developers to significantly slow, or pause, development to respond to market cycles – land banking may be the most sensible commercial approach in many instances
Developing at higher density	<ul style="list-style-type: none"> ○ Higher density properties are harder to stage in order to manage the associated development and sales costs and risks ○ Banks generally require a much higher level of presales before advancing development finance for multi-unit developments ○ Can be less profitable than building fewer, larger stand-alone homes (depending on the location)
Incorporating 'affordable' dwellings	<ul style="list-style-type: none"> ○ Reduces profit margins by limiting the price points at which houses can be sold or rented ○ Even where agreed affordable prices points allow a reasonable profit margin, any arrangements where the developer commits to fixed price points upfront carries additional risk because unexpected cost increases cannot be recovered through higher sales revenue, even if the market would support this ○ Increases sales risks and holding costs, if affordable housing sales are limited to a subset of the market (e.g. first home buyers) with limited demand, ability to pay and experience in property transactions ○ Potential mismatch between the size of the dwellings that can be delivered at affordable price points, and the size of the households that require affordable housing.
Incorporating public housing	<ul style="list-style-type: none"> ○ Dependent on a public housing provider being willing and able to purchase the public housing (at market value, less any reasonable pre or bulk purchase discount) and, for multi-unit developments, settle for a non-controlling (minority) interest in the body corporate. ○ Risk that public housing may adversely affect the market attractiveness (i.e. price and desirability) of other houses in the development.

Annex ED: Overview of other potential development sites currently under investigation by Kāinga Ora (commercial in confidence)

Note: Ingrid to provide an updated list on with address and ownership details, and an appropriate caveat e.g. in relation to commercial sensitivity/being subject to further DD and negotiation, etc.

1. Kāinga Ora is prioritising its year one strategic land acquisitions in s9(2)(j) . Investment decisions will align with the Urban Growth Partnerships and Place-based programmes already underway in those areas.
2. Kāinga Ora is also considering other catalytic projects outside of these areas as they arise.
3. The following shows opportunities currently under investigation. It is noted that some will drop off as further work is done and that others will be added as focused work is done in priority areas. This includes detailed conversations with institutional landowners, including local government.

s9(2)(j)

4. Due diligence is underway across all the above opportunities. Kāinga Ora expects to be ready to enter into conditional contracts on some of the smaller sites between July and September 2021.
5. Kāinga Ora is also jointly investigating several s9(2)(j) and is in the early stages of considering sites in s9(2)(j) .

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Thursday, 15 July 2021 8:04 AM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Subject: RE: My call

Hi Glenn,

There's no minimum limit on plot sizes. However, the expectation is that acquisitions of small sites to fill missing teeth in Kāinga Ora's existing public housing portfolio will most likely be separately funded from its other debt/funding headroom.

In terms of development costs, the expectation is that that the debt headroom for the KO Land Programme could be used to finance those development activities that it makes most sense for KO to undertake itself. That's why the \$46 million pa includes some provisioning for development risks. We touch on this at paragraphs 15 and 36.

Paragraphs 45 notes that it may makes sense for Kāinga Ora to deviate from the standard approach in some situations. The expectation is that they will seek Ministerial agreement to those alternative approaches as appropriate, and be clear about the financial implications.

Also, are you and/or Bastiaan around on Friday? It would be good to discuss our current thinking re the upcoming report back on KPIs and reporting.

As always, happy to discuss.

Regards,

Rob

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: Wednesday, 14 July 2021 5:04 PM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Subject: My call

Hi Rob,
Bastiaan's away, and I had a couple of "dumb" questions about the KO land fund I am hoping you can answer in his absence.

The first was whether there's an expectation about the size of acquisitions. Reference to land aggregation suggests these will be largish transactions or a set of smaller proximate purchases, but I can't see anything that explicitly rules out this fund for developments on single small sites.

The other was whether the \$2billion borrowing approval is just land, or also covers development costs. One reference in the original cab paper says land acquisition, another also refers to development costs. I suspect it is the latter.

Pretty sure you will know the answers off the top of your head.

Cheers
Glen

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From: Bastiaan van der Scheer [TSY]
Sent: Tuesday, 17 August 2021 8:01 pm
To: Robert Murray
Cc: Jane Keane; Hilary Eade; Grace Xu; Glen Thomson [TSY]
Subject: Re: Discuss Kainga Ora Land Programme: KPIs and reporting - report back briefing

Thanks, will forward to John

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Tuesday, August 17, 2021 3:55:26 PM
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>; Hilary Eade <Hilary.Eade@hud.govt.nz>; Grace Xu <Grace.Xu@hud.govt.nz>; Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Subject: RE: Discuss Kāinga Ora Land Programme: KPIs and reporting - report back briefing

Hi Bastiaan,

Thanks for providing this summary. I ran it past Hilary, who attended the meeting with Ministers and advises that it is not completely in line with what Ministers discussed and agreed.

She advises that:

- *MOF had initially thought that in purchasing land the only additional thing they could deliver above the market was more housing. However, after Kāinga Ora clarified that they could also deliver housing faster, different typologies (including public housing), affordable housing, density etc, he was happy with Kāinga Ora purchasing land if they could demonstrate these additional outcomes, plus any contributions to broader urban outcomes such as climate and infrastructure. Kāinga Ora purchasing land was not contingent on bringing something else to the table (e.g. using regulatory powers). At this point Ministers agreed officials would develop a template that Kāinga Ora should use to set out the additional outcomes (i.e. above the market) that they will deliver for any proposed land purchase.*
- *Ministers agreed that who currently owns the land was not necessarily the best determinant of which agency is best placed to acquire and develop that land. There was a brief discussion about Kāinga Ora and HUD having the same due diligence process and working together in places to determine who buys what. In terms of council land, this was discussed briefly and Minister Woods' office has asked us to seek formal clarification, in our upcoming advice on the KOLP, that either programme can purchase council land where this will deliver better housing and urban outcomes.*

Hilary is happy to discuss her comments further with you or John.

Regards,

Rob

From: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Sent: Tuesday, 17 August 2021 12:36 PM
To: Grace Xu <Grace.Xu@hud.govt.nz>; Grace Xu <Grace.Xu@hud.govt.nz>; Glen Thomson - Treasury <Glen.Thomson@treasury.govt.nz>; Robert Murray <Robert.Murray@hud.govt.nz>; Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>

Cc: Jane Keane <Jane.Keane@hud.govt.nz>

Subject: RE: Discuss Kāinga Ora Land Programme: KPIs and reporting - report back briefing

Hi all

I had a meeting with John and the office this morning. One of the things we discussed was the meeting held with MoF and Minister Woods to talk about the land fund.

The office is of the view that the speed/scale/typology objectives were agreed as being a way in which a specific development (Ferncliffe Farms) might be able to be justified under the programme. A statement along the lines of KO needing to sharpen their pencils on how the acquisition would give effect to those objectives was even made.

That has not detracted from MoF's view that KO should be bringing something else to the table when it's undertaking its urban development role through land acquisition. Per our discussion, this could include land aggregation, value capture, using its UD powers.

The office has the view that the focus of the Fund should be on private land. That doesn't include council land, racecourses, golf courses etc unless KO is needing to use its wider powers or there's a clear case for something different in terms of speed/scale/typology. KO isn't just in the market to convert lots that other developers could do to the same scale/time. If it's not private land, and the development is relatively straight forward, then LfH should be the default.

And of course there's always some flexibility to realise outstanding opportunities as they arise.

A strategy to move from quick wins to more strategic acquisitions in the above context would be appreciated.

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

Please note I work irregular hours, please call me for anything urgent



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-----Original Appointment-----

From: Grace Xu <Grace.Xu@hud.govt.nz>

Sent: Wednesday, 11 August 2021 8:26 am

To: Grace Xu; Glen Thomson [TSY]; Robert Murray; Baastian Vanderscheer - treasury

Cc: Jane Keane

Subject: Discuss Kāinga Ora Land Programme: KPIs and reporting - report back briefing

When: Monday, 16 August 2021 1:00 pm-2:00 pm (UTC+12:00) Auckland, Wellington.

Where: Microsoft Teams Meeting; MEET WLG 6.03 (6) VC

Thanks Glen and Baastian for confirming the time to meet.

[@Baastian.Vanderscheer - treasury](mailto:@Baastian.Vanderscheer-treasury), if you happen to be in Auckland and can join by Teams, feel free to do so.

Alternatively, please provide some written feedback by Fri to inform our meeting discussion – Rob will circulate the draft briefing.

Could I suggest, if we have time, to also clarify MoF's meeting

From: Glen Thomson [TSY]
Sent: Thursday, 2 September 2021 1:37 pm
To: Bastiaan van der Scheer [TSY]
Subject: FW: Draft briefing - KO Land Programme KPIs and reporting
Attachments: RE: Draft briefing - KO Land Programme KPIs and reporting

In the interests of full disclosure here is KO's feedback on the paper.

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz
Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Thursday, 2 September 2021 1:34 PM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Draft briefing - KO Land Programme KPIs and reporting

Hi Glen,

And here (with their permission) is Kāinga Ora's feedback. I would be interested in any initial thoughts you may have. The comments seems to speak to the constant challenge of finding the right balance between certainty, flexibility, accountability, transparency, etc.

Regards,

Rob

From: Robert Murray
Sent: Thursday, 2 September 2021 12:08 PM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Draft briefing - KO Land Programme KPIs and reporting

Awesome – thanks. I'm going to ask KO if I can share their feedback with you too.

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: Thursday, 2 September 2021 12:06 PM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Draft briefing - KO Land Programme KPIs and reporting

Thanks Rob, no issues with you sharing. I don't think we have said anything too free and frank?

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Thursday, 2 September 2021 11:51 AM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>
Subject: RE: Draft briefing - KO Land Programme KPIs and reporting

Hi Glenn,

Thanks for this. Just wondering if you would be happy for me to share your comments with KO? I'm meeting with them this afternoon and will need to try to reconcile your feedback with theirs.

Regards,

Rob

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: Thursday, 2 September 2021 10:30 AM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>; Grace Xu <Grace.Xu@hud.govt.nz>; Baastian Vanderscheer - treasury <bastiaan.vanderscheer@treasury.govt.nz>
Subject: RE: Draft briefing - KO Land Programme KPIs and reporting

Hi Rob,

Only half an hour late (sorry). Withheld out of scope of request and it took me longer than expected to integrate his feedback this morning.

Thank you for the opportunity to provide feedback on the Land programme KPIs and expectations paper. It's progressing well!

Treasury have a few thoughts and questions by way of feedback, which are set out below, and I have also attached a copy of the paper with some notes from me that may also be of help. For the avoidance of doubt, this cover email is our substantive feedback, the attachment contains supporting or minor comment but isn't comprehensive. If you want to discuss any of the points in this email or comments in the paper please give me a call.

Land Development Strategy (paras 8.2, 17, Expectations pg 13 para 7?)

In the recs and the body of the briefing the strategy is referred to as a programme implementation strategy, which sounds like the strategy for how to set the programme up, rather than how it will operate.

We would be keen for the strategy to set out how the programme will move from an initial focus on market-ready deals to ones that will have higher levels of additionality but are more complex or require the use of powers. Which

links to the maximum number of deals it can do and the flows of money out and then (hopefully) back in. E.g. it needs a time dimension.

In the description of the strategy in the expectations letter, informing TTKK is not enough? Maybe "please engage with ". We would also like to see a timeliness reference (report back by a specific date) or other encouragement to develop this quickly to assist with transition of the programme away from "market ready" dealing (above).

Scale

Two comments relating to scale and the strategy/operating model.

The first relates to the scale of acquisitions, and is a point that should come through in the discussion of the strategy and the operating model. The Cab paper does say the Programme can do small acquisitions but I read that as being in respect of secondary/rural areas where there are severe housing issues. It's both about impact on housing need and programme efficiency (administrative, compliance and transaction costs). To put it positively, you might reference an expectation that Kāinga Ora will focus on transactions/developments that will have an impact.

The list of KO value add could be expanded to include leveraging Kāinga Ora's scale in development activity, maybe something like "iii) using its scale advantages, supply chain partnerships, and innovative construction methods to deliver houses at price points not achievable by the private sector.

Supply and affordability objectives

The discussion in paras 22 to 27 creates funding risks. There is very limited funding for non-market housing, so this paper should clearly say that there is an expectation that Kāinga Ora will clearly identify and account for any non-market aspects, with a request for more Crown funding where value-capture within the same deal isn't sufficient to fund this?

The discussion in those para's implicitly targets a break-even, "0% margin" approach, which comes with significant funding risk. Do we therefore also need to resolve the issue of targeting a 0% margin at the outset as opposed to reinvesting profits for non-commercial outcomes in the same (or ideally future) development? I think this links with the issue above of buying properties already in the market s9(2)(g)(i) ...This could be drawn out in more detail around para 55 in the discussion of the funding agreement.

Yields (para 27)

I am not sure that the comparison with Land for Housing is valid given the very different levels of support being provided under the two programmes (LFH insuring developers against rising land prices and providing concessionary terms through deferred payments). I also hope the stats here do not include deals under negotiation or investigation...

Financial settings (paras 3e, 49-55)

These cover the issues reasonably well. In 49 you should probably reference the \$2 billion additional borrowing Ministers announced for the Land Programme at Budget 2021, do the math for the Ministers \$1.8 billion remaining.

We agree with Kāinga Ora not establishing a separate financing instrument for the programme, but do think that Kainag Ora should provide transparency on the disposition and outlook on the borrowing headroom available from the land programme approval (what the \$2 billion has been used for, what is committed but unspent and what is available to support new activities. You might incorporate reference to such a requirement in para 55 or elsewhere (i.e. it doesn't have to be a formal expectation, it could instead be a funding agreement requirement).

Disposal of Land (para 53)

I was a little unclear reading this para as to whether it was referring to cash losses in the truest sense, or to losses that go through the P&L. Out of scope of request

General Comments on KPIs

For KPI's to be successful they need to be comprehensive enough to cover a variety of stakeholder perspectives, and to capture performance over the project life cycle. They need to be evidence based, capture process performance

and outcomes as well as critical outputs and inputs and be pitched at an appropriate level of detail (strategic, tactical operational), while enabling alignment of activity across those levels.

Thinking about these as criteria for the KPI's discussed in the paper there are a couple of gaps. The two most notable are in respect to stakeholders and outcomes. The stakeholders I am thinking about are residents in the urban settings Kāinga Ora develops, and the outcomes are the enduring amenity those communities provide. Paras 28 and 29 touch on these issues and push them into the SPE process, but it may be worth including a reference to the quality of those built communities in there somewhere.

The other potential gap is that 28 makes reference to sector innovation, capacity and capability, but there is no mention of this in 28 except in relation to Kāinga Ora's partners.

As I mentioned above, I have also attached a copy of the draft with some other marked up comments. Those marked up comments do not cover the issues in this email comprehensively.

Thanks again for the constructive engagement on this advice. Please give me a call if you would like to discuss anything in our feedback.

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz
Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Monday, 30 August 2021 1:19 PM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>; Grace Xu <Grace.Xu@hud.govt.nz>
Subject: Draft briefing - KO Land Programme KPIs and reporting

Hi Glen,

Thanks for the productive meeting last week regarding the Kāinga Ora Land Programme report back.

Attached is an updated draft for your review. I'd welcome any feedback by **10am Thursday 2 September**.

As always, happy to discuss.

Regards,

Robert Murray

Principal Advisor | Urban Development Regulatory Tools
Place-based Policy and Programmes
robert.murray@hud.govt.nz | Phone: s9(2)(k)
www.hud.govt.nz | Level 7, 7 Waterloo Quay, Wellington



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development





Briefing

Kāinga Ora Land Programme: KPIs and reporting			
Date:	8 September 2021	Security level:	
Priority:	Medium	Report number:	BRF20/21071040

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance		
Hon Dr Megan Woods Minister of Housing		

Contact for discussion				
Name	Position	Telephone		1 st contact
Hilary Eade	Kaiaki	s9(2)(k)	s 9(2)(g)(ii)	✓
Rob Murray	Principal Policy Advisor			

Other agencies consulted
[Names]

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) _____	Comments
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Date returned to HUD:



Briefing

Kāinga Ora Land Programme: KPIs and reporting

For: Hon Grant Robertson, Minister of Finance
Hon Dr Megan Woods, Minister of Housing

Date: 8 September 2021

Security level:

Priority: Medium

Report number: BRF20/21071040

Purpose

1. This briefing seeks your agreement to the scope of the performance expectations, financial arrangements, and reporting arrangements for the Kāinga Ora Land Programme. It also appends a draft letter for the Minister of Housing to communicate your expectations to the Chair of Kāinga Ora.

Executive summary

2. While you have already agreed the high-level objectives for the Programme, this briefing addresses the means by which Ministers can ensure that Kāinga Ora is on track to achieve those objectives.
3. In particular, we propose that the Minister of Housing write to the Chair of Kāinga Ora communicating (among other things) your expectations in relation to:
 - a. Programme implementation, with a focus on how Kāinga Ora can best add value; tailor its response to local housing needs, barriers and opportunities; and coordinate its investment activities with other central and local government agencies to secure optimal value for money from a whole of government perspective
 - b. Ensuring that Kāinga Ora's emerging investment plans and strategies reflect the Programme objectives, are informed by data and insights from the place-based approach, and provide a sound basis for Kāinga Ora to prioritise when, where and how it utilises the Programme (including versus other intervention options)
 - c. How the Programme's objectives will be reflected in Kāinga Ora's next Statement of Performance Expectations (SPE) and Statement of Intent (SOI), including appropriate use of leading indicators given the long lead times associated with housing and urban development
 - d. Ministerial consultation (consistent with the 'no surprises' convention and the expectations set out in Cabinet Office Circular CO (19) 6 *Investment Management and Asset Performance in the State Services*)
 - e. Financial settings, including to inform development of a funding agreement between the Crown (via HUD) and Kāinga Ora addressing use of the \$46 million per annum of operating funding approved for the Programme as part of Budget 2021
 - f. Ongoing Programme reporting.
4. A draft letter (essentially an ad-hoc letter of expectations (LoE) specific to the Programme) is attached at Annex A.
5. Also attached for your feedback/endorsement are:

Commented [G1]: I'd like this paper to also reference the settings in relation to the financing approval for the \$2 billion

- a. An illustrative outline of what you can expect to see in the indicative business cases to support land acquisition decisions under the Programme (Annex B)
 - b. A draft project summary template, developed as requested at your meeting with official from HUD, Treasury and Kāinga Ora (Annex C).
6. We propose that Kāinga Ora provide you with populated business case and project summary templates for all transactions that meet the threshold for ministerial consultation under Cabinet Office Circular CO (19) 6. In the case of the Project summary template, you have the option of receiving this information either:
- a. once Kainga Ora has completed its high-level due diligence and engagement, and concluded that it wishes to proceed to detailed due diligence and engagement; and/or
 - b. alongside the indicative business case, once Kainga Ora has completed its detailed due diligence and engagement, and concluded that it wishes to purchase a development site.
7. HUD will provide you with ongoing advice as appropriate, both in relation to specific investment proposals and within the context of its broader Programme monitoring role.

Commented [G2]: Do we want to stipulate an amount? (I see you have done so in the recs, which is the important place to do it.)

Recommended actions

8. It is recommended that you:

<p>1. Note Cabinet agreed to establish a Kāinga Ora Land Programme (the Programme) to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing [CAB-21-MIN-0061 refers].</p>	<p><i>Noted</i></p>
<p>2. Agree (subject to incorporating your feedback on the recommendations in this briefing and the draft letter attached at Annex A) that the Minister of Housing write to the Chair of Kāinga Ora setting out your expectations in relation to Programme implementation, including expectations:</p> <ul style="list-style-type: none"> 2.1 That Kāinga Ora develop and report back to you with a programme implementation strategy 2.2 That Kāinga Ora’s operating model complements and supports, rather than competes with, private provision 2.3 That Kāinga Ora’s SPE 2022/23 contains meaningful measures to track progress against the Programme’s objectives, including leading indicators 2.4 Relating to pipeline reporting, when and how Ministers will be involved in decision making and access to Government funding 	<p><i>Agree / Disagree</i></p>
<p>3. Note officials have developed an annotated outline for the indicative business cases to support land acquisition decisions under the Programme (attached at Annex B)</p>	<p><i>Noted</i></p>
<p>4. Note officials have developed a project summary template (attached at Annex C) that could be provided to you:</p> <ul style="list-style-type: none"> 4.1 As an early heads-up once Kāinga Ora has completed its initial due diligence and engagement and concluded that it wishes to proceed to detailed due diligence and engagement on a potential site acquisition (Gate One) <p>And/or</p>	<p><i>Noted</i></p>

Commented [G3]: A programme implementation strategy is a strategy for how to set up the programme. We need them to give us the strategy for how it will run. Programme implementation plan and a programme strategy? Or just a programme strategy.

Commented [G4]: Leave these out – they are not necessary and are KO defined – you don’t want to be having those arguments.

<p>4.2 Once Kāinga Ora has completed its comprehensive due diligence and engagement and concluded that it wishes to submit a purchase offer for a site (or, if it has already submitted a conditional offer, go unconditional) (Gate Two)</p>	
<p>5. Indicate whether you would like to receive the project summary template referenced in recommendation 4 above:</p> <p>5.1 Once Kainga Ora has completed its initial due diligence and engagement (Gate One)</p> <p>And/or</p> <p>5.2 Once Kāinga Ora has concluded it wishes to submit an offer or go unconditional on an existing offer (Gate two)</p> <p>5.3 Only for proposed investments that meet the threshold for Ministerial consultation under Cabinet office circular CO (19) 6 <i>Investment Management and Performance in the State Services</i> (e.g. proposed investments with a whole of life costs exceeding \$50 million)</p> <p>Or</p> <p>5.4 For all proposed investments under the Programme</p>	<p>[Need to add and format recs]</p>
<p>6. Indicate whether you would like officials to make any amendments to the draft documents referred to at recommendations 2 to 4 above (and, if so, the scope of those amendments)</p>	<p>Yes / No</p>
<p>7. Agree that Kāinga Ora should be working towards producing a Programme reporting dashboard similar to the Land for Housing dashboard (attached at Annex D) once the Programme achieves critical mass, and that this should include reporting on:</p> <p>7.1 The number of projects at each stage of the land acquisition and development pipeline (identification, investigation, negotiation, delivery, completed)</p> <p>7.2 The current and projected housing mix (public, KiwiBuild, other affordable, and open market)</p> <p>7.3 The geographic spread of housing delivery</p> <p>7.4 Current and projected Programme costs and revenues</p> <p>7.5 The average price paid for land relative to the average registered valuation (a proxy for write-down risk/whether the Programme is crowding out private developers)</p>	<p>Agree /Disagree</p>
<p>8. Agree that in the interim period Kainga Ora should be reporting relevant information to HUD on a monthly basis, and reporting highlights through its quarterly report</p>	<p>Agree /Disagree</p>
<p>9. Authorise the Chief Executive of HUD to develop and execute a funding agreement between the Crown and Kāinga Ora formalising the drawdown process for the \$46 million per annum operating funding allocated to the Programme through Budget 2021 [CAB-MIN-0116.15 refers].</p>	<p>Agree / Disagree</p>

Commented [G5]: This would also have to be subject to engagement with officials wouldn't it? One of our key issues is that KO brings these things forward before there has been substantive engagement.

Commented [G6]: Um – are we really expecting they will be doing strategic UD that is <\$50m whole of life.

Commented [G7]: I think this is a limiting factor – I am sure they can do better

Commented [G8]: Again this is limiting. We want the reporting to reflect activity across a portfolio of activity in a development lifecycle. Systematic reporting can occur much earlier than when the pipeline is full. Need to think of some wording for this.

Commented [G9]: Are we confident this is enough?

Commented [G10]: What is going to be in this agreement

Hilary Eade
Kaiaki

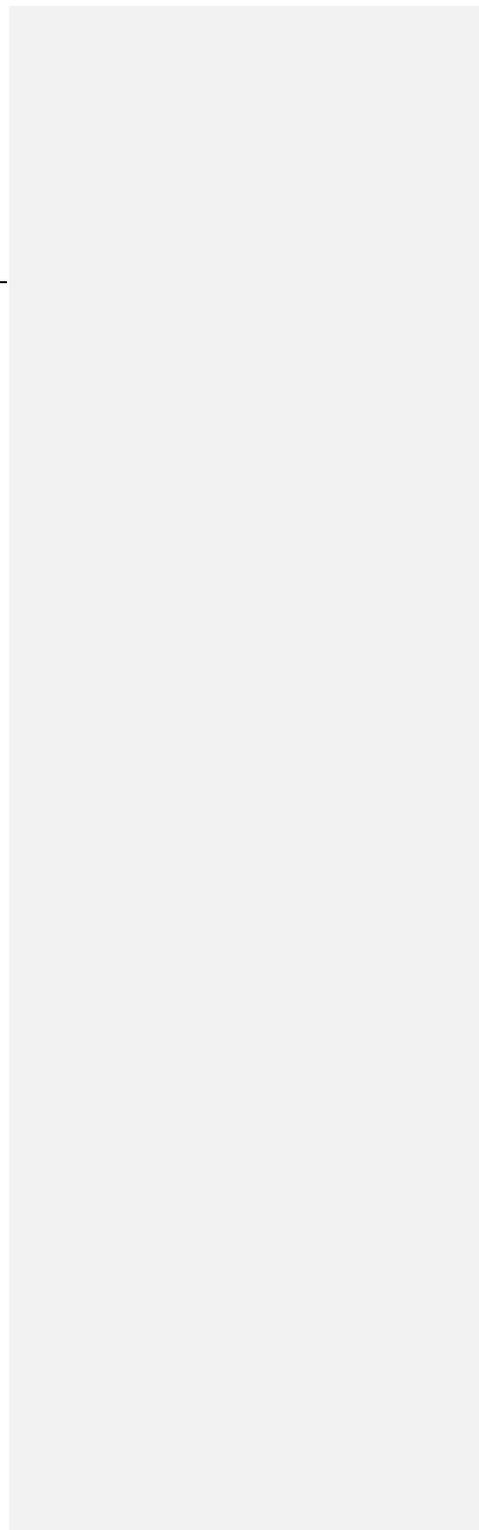
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Hon Grant Robertson
Minister of Finance

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Hon Dr Megan Woods
Minister of Housing

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Background

9. In March 2021, Cabinet agreed to establish a Kāinga Ora Land Programme (the Programme) that would enable Kāinga Ora to strategically purchase land to increase the the pace, scale and mix of housing developments, including more affordable housing [CAB-21-MIN-0061 refers].
10. In April 2021, Cabinet agreed to provide \$46 million per annum of operating funding for the Programme as part of Budget 2021 [CAB-MIN-0116.15 refers]. It will be used to service \$2 billion of Kāinga Ora borrowing for land acquisitions and development, meet holding costs, allow for development risks, expense any land value write-downs, and provide other targeted support to achieve the Programme objectives as necessary.¹

Programme objectives

11. In July 2021 the Minister of Housing agreed that the Programme's primary objectives would be to increase the:
 - a. supply of build ready land for housing and urban development
 - b. pace, scale, density and regional spread of housing development
 - c. proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own.
12. The Minister also agreed to a range of supporting objectives relating to Māori interests; supporting sector capacity and innovation; access to transport, jobs and amenities; and climate change, and noted that HUD would report back on proposed KPIs and reporting arrangements for the Programme [HUD briefing BRF20/21050950 refers].
13. We understand that the Minister of Finance is also supportive of these objectives, which are closely aligned with the statutory objectives, functions and operating principles of Kāinga Ora.²

Commented [G11]: I think we are OK with this phrasing?

Balancing certainty and flexibility through expectation setting, monitoring and reporting

14. While you have already agreed the high-level objectives for the Programme, the Crown entity monitoring framework is the means by which you can ensure that Kāinga Ora is on track to achieve those objectives. The Programme specific arrangements will be nested within the broader framework for setting the strategic direction and priorities of Kāinga Ora, and reporting on its performance³, and need to strike a balance between:

¹ This could include writing down land values to offset the adverse commercial impact of Kāinga Ora requiring its development partners to develop land in a manner that deviates from its highest and best (i.e. most profitable) commercial use (e.g. requiring them to incorporate significant proportions of affordable homes, and build faster or denser than market norms).

² As set out in paragraphs 12 to 14 of the Kāinga Ora – Homes and Communities Act 2019

³ This framework includes:

- a. The Government Policy Statement on Housing and Urban Development (GPS), currently under development, which Kāinga Ora must give effect to when performing its functions
- b. Letters of Expectations (LOEs)
- c. Kāinga Ora's Statement of Intent (SOI) and Statement of Performance Expectations (SPE), drafts of which must be provided to you for comment at least two months before the start of the relevant financial year
- d. Kāinga Ora's quarterly performance reporting and Annual Report
- e. HUD's role as monitoring agency, which includes assisting you in your oversight role, tendering advice and Vote administration.

- a. setting relevant and measurable expectations to provide a clear signal of the Government's priorities, including the outcomes it is seeking, to both Kāinga Ora and its development partners
- b. retaining sufficient flexibility for Kāinga Ora to tailor its approach to local needs and opportunities
- c. tracking progress of the Programme as a whole to ensure it is on-track to meet its objectives and, if not, inform any necessary changes to policy and operational settings.

15. We anticipate that the expectations, measures and reporting arrangements will evolve over time, as we gather further insights from the land acquisition process; engagement and commercial negotiations with key partners including councils, private developers, iwi and community organisations; and project delivery.

Setting initial expectations and measures

16. You would typically communicate your expectations to Kāinga Ora via the annual LOE. However, given the Programme is being established mid cycle, we recommend that the Minister of Housing writes to the Chair of Kāinga Ora now setting out your expectations in relation to the Programme. We have attached a draft letter at Annex A, which builds on our previous advice and reflects the recommendations set out below..

A strategy led approach

17. In order to maximise the impact of the Programme, Kāinga Ora will need to adopt a strategic approach to site selection and development. To this end, we propose you invite Kāinga Ora to develop and report back to you with a programme implementation strategy that can be incorporated into its emerging Regional Investment Plans and Area Development Strategies, as well as its updated Urban Development Strategy.

Commented [G12]: Not sure implementation is the right word. Maybe describe the content of the strategy to ensure its not just "here is how we are going to roll it out. We talked about it addressing the operating model and approach to identifying need, selecting sites, managing a pipeline of opportunities as when as its intent in regard to using UD powers.

18. Among other things, this approach will help to ensure that Kāinga Ora has a sound framework for prioritising its investment decisions both across New Zealand and within specific locations, which is informed by the Programme objectives, data and insights gathered from the Place-based and Urban Growth Partnerships (where they exist), and consideration of the full suite of funds and tools through which Kāinga Ora can influence housing and urban development outcomes. Purchasing land won't always be the best way for Kāinga to achieve these outcomes.

19. We suggest you acknowledge that it will take time Kāinga Ora to develop these strategies, and that you are still open to Kāinga Ora investing and progressing compelling land acquisition and development opportunities in the intervening period. However, we expect the emphasis to shift to a more structured and less opportunistic approach to site identification and selection over time as these strategies are completed.

Commented [G13]: Close enough

An operating model that complements and supports other providers and investment

20. The key measure of success will be the extent to which the programme delivers housing that is genuinely additional to, and more affordable than, what the market would have delivered on its own. This will require Kāinga Ora to facilitate housing delivery at increased pace and density, and in a broader range of locations and tenures, than would otherwise occur. Otherwise, there is a very real risk that the Programme will simply compete with private provision. To this end, we propose you use the letter to reinforce your general expectations that Kāinga Ora:

Commented [GT[14]: Tick

Commented [GT[15]: Multiple overlapping edits syndrome?

Kāinga Ora's Board is also expected to keep you informed, in a timely manner, of any important initiatives and issues consistent with the 'no surprises' convention.

- a. acquire land through 'off market' transactions where practicable, to avoid directly competing with other purchasers
- b. focus on where and how it can best add value, including:
 - i. facilitating housing delivery in locations and typologies, and for cohorts, that would not be commercially attractive without government intervention and support
 - ii. using its unique land acquisition and development powers to aggregate land and address planning or infrastructure constraints where appropriate (subject to relevant Ministerial approvals)
- c. facilitate housing delivery in a broader range of towns and cities with unmet housing needs, including responding to the issues and priorities identified through the urban growth and place-based partnerships (where they exist)
- d. work in genuine partnership with private developers, iwi/Māori, and community organisations, leveraging their skills, experience and resources, and supporting their aspirations, as appropriate
- e. coordinate its investment activities with other central and local government agencies to ensure optimal impact and value for money from a whole of government perspective (e.g. through capturing and reinvesting value uplift from public investment in infrastructure and amenity).

Commented [GT16]: Is there a qualifier in here about scale? If there are small transactions they should probably be limited to smaller centres where they will have an impact

Commented [GT17]: Maybe iii) using its scale advantages, supply chain partnerships, and innovative construction methods to deliver houses at price points not achievable by the private sector?

21. The importance of Kainga Ora looking beyond the locations where it is currently active in housing and urban development is illustrated by the graph attached at Annex D. It shows that the most acute housing supply and affordability pressures are before felt beyond Auckland and Christchurch, where Kainga Ora already owns significant land holdings.

Tracking progress towards the Programme's primary housing supply and affordability objectives

22. The long lead times associated with property acquisition and development mean few, if any, homes will be completed within the first 18 to 24 months of the Programme. We therefore propose that HUD work with Kāinga Ora to develop Programme specific measures that, in the first instance, are focussed on the leading indicators of whether Kāinga Ora is on track to meet the Programme's primary housing supply and affordability objective.
23. Under the Crown entity framework, it is the Kāinga Ora Board that is ultimately responsible for proposing specific measures and targets to you within the context of developing its draft SPE 2022/23. However, we propose you signal your particular interest in Kāinga Ora developing performance measures and/or reporting relating to:
- a. **The carrying capacity of land acquired for the Programme.** Focussing on housing yield, rather than the number or size of sites acquired, would provide an incentive for Kāinga Ora to target sites that offer the potential to optimise housing densities
 - b. **The progress of preparatory works to prepare sites for housing development.** This could, for example, include measures relating to the planning/consenting process, land remediation and infrastructures provision.
 - c. **The likelihood of securing significant proportions of affordable housing aligned with need, based on independent financial analysis.** This will require careful site selection (based on feasibility analysis), and judicious rationing of the \$200 million (averaging \$10 million per annum) ringfenced to support non-commercial outcomes over the life of the Programme.
24. Once the programme is further advanced, we anticipate a shift of focus to setting expectations in relation to the actual number and composition of houses that are contracted, under construction or delivered in accordance with the agreed business cases.

How affordable housing is defined will be a key consideration

25. A key consideration in developing an appropriate affordability measure (or measures) will be how that affordable housing is defined. It could conceivably include a mix of:
- a. **Market affordable housing** – housing that is sold or rented at market rates, and is inherently more affordable by virtue of its efficient design, construction and land use rather than the provision of an explicit subsidy (e.g. the original intent behind KiwiBuild)
 - b. **Community affordable housing** – subsidised housing rented (typically by not for-profit providers) to lower income households who cannot afford to pay a market rent, but do not necessarily need or rank as a high priority for public housing.
 - c. **Public Housing** – a subset of affordable housing provided at an income related rent, and targeted to those who need it most.

26. In addition to targeting households with different needs and means, each of these approaches will have different impact on project viability, and therefore the number of homes that can be delivered and or the amount of subsidy required (e.g. through writing down land values). The viability of delivering market affordable housing will, in part, depend on the outcome of the current review of the KiwiBuild price caps [HUD briefing BRF20/21071045 refers]. Community affordable housing will almost certainly require some form of subsidy. Kainga Ora will purchase any land or houses that it wishes to retain for public housing from the Programme at market value, drawing on its dedicated Public Housing funding and financing arrangements. However, there is always a risk that the presence of public housing could reduce the market attractiveness of other housing in the development.

27. While different in nature, we note that the Land for Housing Programme has been able to [secure] approximately 17 percent public housing and 36 percent KiwiBuild/affordable housing across its developments to date. Kāinga Ora current SPE target for the non-public housing component of its large-scale projects is to deliver 40 percent of the homes below KiwiBuild price points. We will provide you with further advice on what might be appropriate for the Programme within the context of Kāinga Ora developing its proposed SPE measures.

Commented [GT18]: LFH includes specific appropriations for non-commercial outcomes that dwarf KO's \$10m for non-commercial outcomes. This is not a valid comparison.

Reinforcing expectation in relation to the Programme's cross cutting supporting objectives

28. The Programme's supporting objectives are:
- a. **Protecting Māori interests and supporting Māori aspirations**
 - b. **Mitigating and adapting to climate change**
 - c. **Supporting good access to jobs, education and amenities**
 - d. **supporting sector innovation, capacity and capability.**

29. These supporting objectives are broad in nature, and equally relevant to many of Kāinga Ora's other housing and urban development activities. Kāinga Ora's 2021/22 SPE already contains a number of measures relating to supporting objectives a, b and c above. When reviewing the 2021/22 SPE, you indicated that you would like to see further measures s9(2)(f)(iv)

Commented [GT19]: And D? s9(2)(f)(iv)

30. We propose that you use the letter attached at Annex A to reinforce your general expectations in relation to these matters, building on your previous feedback and having regard to the specific issues and opportunities arising from the Kāinga Ora Land Programme.

You can refine and expand on your expectations via the annual Letter of Expectations

31. HUD will also engage with you on the next annual draft Letter of Expectations by early 2022. This could set further expectations based on what has been learned through early reporting.

Information to support specific investment decisions

32. Our previous advice provided a high-level overview of the proposed approach by Kāinga Ora to assessing and prioritising land acquisitions and securing development outcomes under the Programme. This includes preparing business cases and consulting and/or seeking Ministerial agreement to investment decisions in accordance with Cabinet Office Circular CO (19) 6: *Investment Management and Performance in the State Services* [HUD briefing BRF20/21050950].
33. This means Ministers will be consulted on (and provided with the opportunity to comment on indicative business cases for) high value (i.e. where whole of life costs exceed \$50 million) and/or high-risk investments, followed by Cabinet consideration as appropriate. Cabinet approval will be required for any investments that require new Crown support or funding (i.e. over and above the \$46 million per annum already approved for the Programme). For example, any projects progressed as Specified Development Projects under the Urban Development Act will need a detailed funding plan that may involve significant investment in enabling infrastructure and amenity servicing a mix of publicly and privately owned land.

Expected content of indicative business cases

34. HUD and Kāinga Ora have worked with Treasury to clarify the requirements of the Cabinet Office Circular, given land acquisition decisions will often need to be completed in a compressed timeframe. This means it won't always be possible for Kāinga Ora to develop a full business case prior to purchasing a property. Treasury advises that this is a common issue faced by a range of agencies, and has recommended that it be addressed through Kāinga Ora preparing a:
- a. High-level indicative business case pre land acquisition; and
 - b. More comprehensive business case post acquisition, once more detailed design work and financial analysis has been completed.
35. An illustrative outline of what you can expect to see in these indicative business cases is provided in Annex B, following the better business case format. These indicative business cases will include consideration of potential mitigations and off-ramps, in the event that unforeseen issues are identified during development of the detailed business case.
36. HUD will provide supporting advice to you on all business cases where Kāinga Ora is required to consult with you.

Project summary template

37. At your meeting with officials from HUD, Treasury and Kāinga Ora on 9 August you requested that officials work together on a project summary template for the Kāinga Land Programme covering:
- a. alignment with housing objectives (e.g. volume, speed and typology);
 - b. who is leading and with whom Kāinga Ora is partnering;
 - c. contribution to broader urban development, climate and infrastructure outcomes, etc; and
 - d. the relationship with broader government investment and support (e.g. supporting infrastructure provisions via the Infrastructure Acceleration Fund or Infrastructure Funding and Financing Act).
38. A draft template is attached at Annex C. Depending on how you would like to use this information, it could be provided to you:
- a. as an early heads-up once Kāinga Ora has completed its initial high-level due diligence (principally desktop based), and concluded that it wishes to proceed to comprehensive due diligence (and, potentially, submitting a highly conditional

purchase offer⁴). At this point Kāinga Ora will have an initial idea of the housing and urban development outcomes that the potential land acquisition could support, but won't have worked through all of the relevant constraints, opportunities and risks; and/or

- b. alongside the indicative business case once Kāinga Ora has completed its comprehensive due diligence (e.g. including onsite geotechnical and contamination investigations) and engagement, and feels confident recommending that an offer be submitted (or, where a conditional offer is already in place, making that offer unconditional).

Pipeline reporting

39. The Kāinga Ora Land Programme is one of several new and pre-existing Government initiatives focussed on increasing the supply of build ready land and facilitating delivering of a mix of public, affordable and market priced homes. This includes the Land for Housing Programme, which utilises an established pipeline reporting dashboard (attached at Annex C).
40. For coherence, we propose you set an expectation that Kāinga Ora work towards developing a similar reporting dashboard for the Programme showing, among other things:
 - a. The number of projects at each stage of the land acquisition and development pipeline (identification, investigation, negotiation, delivery, completed)
 - b. The current and projected housing mix (public, KiwiBuild, other affordable, and open market)
 - c. The geographic spread of housing delivery
 - d. Current and projected Programme costs and revenues
 - e. The average price paid for land relative to the average registered valuation (a proxy for write-down risk/whether the Programme is crowding out private developers).
41. Given it will take time to build the project pipeline, we propose that Kainga Ora provide relevant information to HUD on a monthly basis in the first instance (including to inform Vote administration), with highlights being provided to Ministers via Kāinga Ora's quarterly report. This would include the types of information set out in the draft letter attached at Annex A.
42. Our expectation is that Kainga Ora would work towards providing more comprehensive programme overview dashboard, similar to Land or Housing, as its project pipeline approaches critical mass.
43. Consistent with the no surprises approach, Kāinga Ora will also keep you informed of any material or significant events, transactions and other issues relating to the Programme that may be contentious or could attract public interest, whether positive or negative. This includes an early heads-up on potential acquisitions that are likely to attract attention from media or key stakeholders, and advising you of any material delays, cost overruns and reputational or legal risks.

⁴ This reflects the fact that land acquisition opportunities are often time limited, and detailed due diligence and business case development can also be time consuming and expensive. Before committing its resources, Kāinga Ora needs a reasonable degree of certainty that it will be able to secure the property in question if these pan out. Entering into a conditional sale and purchase agreement will often best way to secure this certainty, while retaining sufficient flexibility for the agreement to be cancelled if the due diligence and indicative business case identify major issues and/or any required Board or Ministerial approvals are not forthcoming.

Ability to purchase council-owned land

44. At the meeting with officials on 9 August you agreed that the:
- Kāinga Ora Land Programme should primarily focus on acquiring and facilitating development of land owned land by the private sector; and
 - Land for Housing Programme should primarily focus on acquiring and facilitating development of Crown owned land.
45. You also acknowledged that who currently owns the land is not necessarily always the best indicator of which agency is best place to develop that land. There may be situations where it makes sense for the Kāinga Ora Land Programme to acquire Crown-owned land and for the Land for Housing Programme to acquire privately owned land. For example, to aggregate contiguous land parcels that are in different ownership or where one of the agencies has an established relationship with a suitable development partners (e.g. through an established developer panel or partnership with iwi).

Clarifying Kāinga Ora's ability to purchase council owned land

46. There may also be situations where it makes sense for HUD and/or Kāinga Ora to purchase council owned land. By way of example, Kāinga Ora is currently exploring several opportunities to acquire council owned land where the council cannot afford to develop it, but does not want to sell the land on the open market as this will not achieve the housing outcomes they want. s9(2)(j)
47. Similarly, the Land for Housing Programme has a successful track record of acquiring and facilitating development of surplus council owned land (e.g. the 110-unit Atlas Quarter and 76 unit Colombo Street developments in Christchurch) to deliver a mix of market and affordable homes, and is currently investigating further opportunities.
48. We propose you agree that either agency may purchase council-owned land in situations where central Government involvement could remove barriers to development (e.g. through use of Kāinga Ora's land acquisition and urban development powers) and/or deliver better housing outcomes (e.g. pace, scale and affordability), and that HUD and Kāinga Ora agree who is best placed to acquire and develop a given piece of land within the context of the information sharing agreement currently under development.

Commented [GT[20]: s9(2)(j)]

Funding and financing drawdowns and reporting

Debt issuance

49. We propose that allowances be made within Kāinga Ora's overarching borrowing protocol to raise debt for the Programme, and any borrowing requirement be consolidated within the Kāinga Ora bond issuances (i.e. there will not be a dedicated financial instrument solely for the Programme or any individual transaction within it). You have already agreed to increase Kāinga Ora's private borrowing limit by \$1.2 billion (to \$8.3 billion) to finance the next stage of its build programme through to June 2022, including a \$200 million allowance for initial land purchases under the Programme [HUD briefing BRF20/21040921 refers].
50. Future private borrowing limit increases will also be subject to Joint Ministers' approval, and specify how much of the total borrowing limit increase requested will be used for the Programme. We currently expect to approach you for the next private borrowing limit increase towards the end of this calendar year.

Use of the \$46 million per annum of operating funding approved in Budget 2021

Interest costs associated with Kāinga Ora borrowing for the Programme

51. Given Kāinga Ora's debt profile will be well known in advance, we propose that Kāinga Ora provide HUD with a schedule of interest cost based off the proposed purchases, which HUD will pay quarterly in advance. We also propose an annual "wash up". Where actual investments are significantly lower than the borrowing allowed, this will involve:

- a. reassessing the need for additional borrowing in the next year
- b. assessing the net interest costs (interest on borrowing less interest on financial assets accumulated) difference to deduct from further interest payments.

Holding costs associated with land acquired by Kāinga Ora for the Programme

52. We propose that Kāinga Ora provide HUD with a forward schedule of holding costs (e.g. rates) for land acquired under the Programme, which HUD will pay quarterly in advance. A wash up will occur each year for timing differences (purchases made and settled within a quarter and disposal of land within the quarter).

One off costs associated with disposal of land

53. We propose that access to the \$10 million per annum set aside for non-market outcomes be based off the cash losses that Kāinga Ora incurs when it on-sells land (valuations up and down of land holdings will not be funded until the loss is confirmed at the point of sale). This is effectively providing the funding source to repay debt (which would have been met through land sales). Payment would be made on the basis of an approved sale agreement provided to HUD and validation of the loss incurred, with Ministers being informed.

54. [Need another para explaining how much we have provision for development risks, and how that money will be accessed. My working assumption is that it will be at the point of sale via a write down].

Commented [GT[21]: Cash losses is a bit unclear. Is this only losses that go through the P&L? Little bit of a concern about how this meshes with the Block valuation approach Kāinga Ora is adopting that potentially transfers these losses to the balance sheet. I'd be interested in Glenn Phillips opinion on this.

Establishing a formal funding agreement for the Programme

55. Subject to your feedback on the recommendations outlined above, we propose developing a formal funding agreement between HUD (on behalf of the Crown) and Kāinga Ora.

Commented [GT[22]: Per 53 comment KO may have already taken a writedown when they transfer the land to held for sale.

Consultation

56. Kāinga Ora and the Treasury were consulted on this briefing. The Department of the Prime Minister and Cabinet was informed

Next steps

57. Subject to your agreement to the recommendations outlined in this briefing, we propose that:
- a. The Minister of Housing sign and send the letter attached at Annex A to the Chair of Kāinga Ora, to clarify your expectations in relation
 - b. HUD prepares and executes a funding agreement between the Crown and Kāinga Ora.

Annexes

- Annex A: Draft letter to the Chair of Kāinga Ora.
- Annex B: Indicative business case outline
- Annex C: Project summary template
- Annex D: Dwelling consents per capita versus house price growth
- Annex E: Land for Housing Programme pipeline report

Annex A: Draft letter to the Chair of Kāinga Ora

[Need to place on letterhead]

Dear Vui,

As you will be aware, Cabinet has agreed to establish the Kāinga Ora Land Programme (the Programme) so that Kāinga Ora can strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing. This is an exciting opportunity that will provide Kāinga Ora with the resources to expand its urban development role.

The purpose of this letter is to **advise** you of my expectations in relation to Programme implementation. This includes expectations regarding alignment with Programme objectives, performance, reporting and assurance, and funding and financing processes.

Commented [GT[23]: advise

Programme objectives

The Minister of Finance and I have agreed that the Programme's primary objectives are to increase the supply of build ready land for housing and urban development; pace, scale, density and regional spread of housing development; and proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own.

We have also agreed to supporting objectives focused on protecting Māori interests and supporting Māori aspirations; supporting sector innovation, capacity and capability; supporting good access to public transport, jobs, education and amenities; and mitigating and adapting to climate change.

These objectives are consistent with Kāinga Ora's own statutory objectives, functions and operating principles.

It is important that the Board has appropriate strategies, controls and assurance processes in place to ensure that the Programme achieves these objectives.

Adopting a strategic approach to site selection and development

I expect Kāinga Ora to adopt a strategic approach to site selection and development. In developing this strategy, please have particular regard to the Programme objectives and consider the importance of:

- a. avoiding direct competition with other developers through exploring opportunities to secure land through 'off market' transactions, where practicable
- b. focussing on where and how Kāinga Ora can best add value, including through:
 - a. facilitating housing delivery in locations and typologies, and for cohorts, that would not be commercially attractive without government intervention and support
 - b. aggregating land and addressing planning or infrastructure constraints (drawing on its unique land acquisition and development powers where appropriate, subject to relevant Ministerial approvals)
- c. facilitating housing delivery in a broader range of town and cities with unmet housing needs, including responding to the issues and priorities identified through the urban growth and place-based partnerships (where they exist)
- d.—
- e. demonstrating genuine partnership with private developers, iwi/Māori, and community organisations, leveraging their skills, experience and resources, and supporting their aspirations, as appropriate

- f. coordinating investment activities with other central and local government agencies to ensure optimal impact and value for money from a whole of government perspective (e.g. through capturing and reinvesting value uplift from public investment in infrastructure and amenity).

Please keep Te Tūāpapa Kura Kāinga informed when developing this strategy. I would also appreciate receiving a copy of the strategy, once completed.

Commented [GT24]: This requirement will be more effective if it included a date

Tracking success for the Programme

I am conscious that the long-lead times associated with housing and urban development mean the performance expectations and reporting arrangements for the Programme will need to evolve over time, as it transitions from a primary focus on site identification and acquisition through to consenting, land development and, ultimately, housing delivery.

Expectations relating to the Programme's objectives

In implementing the Programme (and developing appropriate performance measures), I ask that consider how Kāinga Ora can best demonstrate progress against the Programme's primary objectives through appropriate use of leading indicators. I am particularly interested in Kāinga Ora considering measures that might best demonstrate:

- the number of houses that could feasibly be delivered on land acquired for the Programme
- that the land acquired for the Programme can support a significant proportion of affordable housing (say 30 to 50 percent, on average)
- the progress of planning, consenting and preparatory works to prepare sites for housing development (e.g. the percentage of projects being delivering in accordance with project development plan, standards and timeframes)

The Programme's supporting objectives are broad in nature, and therefore equally relevant to a range of other Kāinga Ora Programmes and activities currently measured through the SPE. There is opportunity to further expand on existing SPE measures, having regard to the Kāinga Ora Land Programme. In relation to Māori interests and engagement, I am particularly interested in how:

- the Programme protects Māori interests and supports Māori aspirations, for example, engaging with Maori through place-based engagement activities, and exploring Maori interest as part of the site due diligence process
- Māori are provided opportunities to participate in the developments
- Māori capacity and capability building is supported.

Please keep HUD informed as you develop your draft SPE measures.

Ministerial consultation

I expect to be consulted on investment decisions in accordance with the expectations set out in Cabinet Office Circular. CO (19) 6: *Investment Management and Asset Performance in the State Services*. Please ensure that the supporting business cases clearly demonstrate how proposed investments will overcome barriers to, and provide significantly better housing outcomes than, private sector led development.

I would also appreciate being informed of key programme developments, risks and opportunities under a 'no surprises' approach.

Pipeline reporting and assurance

I expect programme reporting to be provided to me quarterly, with more granular reporting to HUD on a monthly basis. Please work with HUD to ensure reporting is fit for purpose, and has flexibility

to adapt to capture a full pipeline as land acquisitions start to build momentum. From the reporting, I'm particularly interested in:

- the development pace, scale, density, tenure and price points
- the geographic spread of land acquisitions beyond main centres
- the progress of preparatory works to prepare sites for housing development (infrastructure uplift)
- other non-commercial outcomes achieved, for example,
 - pipeline certainty for the sector to innovate, lift productivity and ultimately deliver cheaper houses faster
 - increased pace and housing density, alternative ownership and tenure
 - catalysing developments that would not otherwise be commercial
- work with private developers/builders, local iwi and not-for-profit organisations to develop the land
- how non-commercial outcomes are funded.

Given a wide range of stakeholder interest in the Programme, I encourage Kāinga Ora to proactively communicate development opportunities and progress with key partners and stakeholders

Funding and financing

Budget 21 included \$46 million per annum of operating funding for the Programme, which will be used to service \$2 billion of Kāinga Ora borrowing for land acquisitions and development, meet holding costs, allow for development risks, expense any land value write-downs, and provide other targeted support as necessary. The Minister of Finance and I have authorised the Chief Executive of HUD to negotiate a funding agreement between the Crown and Kāinga Ora, to clarify the process through which Kāinga Ora may access this operating funding.

As always, I expect that the Board to ensure the Programme and related assets are managed in a financially responsible manner consistent with Government objectives.

I look forward to seeing the exciting opportunities enabled by this Programme as it progresses.

Your sincerely,

Hon Dr Megan Woods
Minister of Housing

Annex B: Indicative Business Case Outline

Kāinga Ora Land Programme Business case key ingredients

Strategic Case – making the case for change

- Outline a strong narrative (tell the story) of how the proposal fits within the government and organisation’s strategic context and strategic intentions. This means both strategic alignment with the Programme objectives, and site specifics including:
 - At strategic level, cover the programme level alignment to policy objectives
 - Specific development objectives and link directly to the strategic intent of the Kāinga Ora Land Programme e.g.
 - why this site/location and why this investment;
 - link to transport nodes and amenities, connection to spatial plans, place-based approach, PHPs and other relevant programmes (IFF, etc);
 - What’s the stakeholders’ inputs into this – e.g. discussions with partners in the area, Māori engagement to date or proposed; targeted Māori outcomes sought
 - To what extent are regulatory levers used, such as potential use of UDA powers (SDP, compulsory acquisitions); if used, what are the outcomes these powers will deliver that cannot be readily achieved another way (e.g. land aggregation, increased pace of development)
- Confirm the need for investment – be specific
 - What’s the Kāinga Ora value proposition that’s different from other developers (eg. overcoming barriers, better housing outcomes-tenure mix, density, volume, pace, affordability and cost implications/direct subsidy that catalyses developments that would not otherwise be commercial)? What happens if KO doesn’t do this? What are the other options?
 - What are the direct and indirect benefits of the proposal (e.g. value uplift through land aggregation, re-zoning, and overcoming infrastructure and other constraints, and non-market outcomes)
- What are the main risks?
 - Constraints, dependencies and assumptions (eg. contamination, wetland provision)
 - Dependencies with working with others – Waka Kotahi, MoE, local government, on matters such as asset design, ownership, and funding and financing share *[this may need to be deliberated in the subsequent business case for land development]*

Commented [GT[25]: Options or likely outcomes

Economic Case

- Consider the feasibility, costs, benefits and risks of the proposal
 - Summary of due diligence assessment that informs the economic case and suitability for housing development (eg. legal, geotechnical, zoning and planning, contamination, timeline and risks, bulk and location assessments; compare highest best use valuation and residual value to ensure fair value for purchase; market analysis (incl. recent dwelling sales data), transport assessment, and education assessment)
 - How Kāinga Ora intends to develop the land and the proposed dwelling yield, typology or the mix of housing (public, affordable and market); projected total build in xxx years

- The development options may include off-ramps and staging options that are informed by key decision points that drive costs that drive (eg. choices around supporting any particular transport outcomes);
- Proposed on-selling conditions to ensure policy objectives are met; in particular, cost implications and trade-offs (eg. as result of tenure mix) that may contribute to non-commercial outcomes
- the timeframe over which plan changes and subsequent development might occur
- What are the alternatives - discussion of funding and financing options (eg. IFF, SDPs, and IAF);
- Development costs and risks
 - how is the land use optimised; the potential cost range of development and infrastructure options, and fiscal implications of any non-market outcomes being sought
 - Discuss both fiscal (flushing out impact of project decisions on Crown going forward, eg. PHP delivery and future IRRS commitments), and financial implications for Kāinga Ora
 - identify the planning and consenting risks (e.g. appeals), implications and mitigations

Commercial Case

- Show that the organisation has done the planning required to prepare the proposal for procurement
 - Procurement Plan
 - Contractual arrangements

Financial Case

- Outline funding arrangements and financial implications for the preferred option
 - Project specific financial information from both a Kāinga Ora and Crown perspective: describes the financial implications of the direct land acquisition AND the whole of life commitment for the development and how costs will be recouped (debt recycling)
 - Describe costs for non-commercial outcomes (policy driven losses on sale) to be funded from the operating appropriation; and usage of the \$2 billion borrowing headroom

Management Case

- Show the necessary management arrangements are in place for the successful delivery of the project
- How to ensure delivery of project and benefits, how to manage project risks
 - Project governance and assurance, roles and responsibilities
 - Delivery plan and milestones

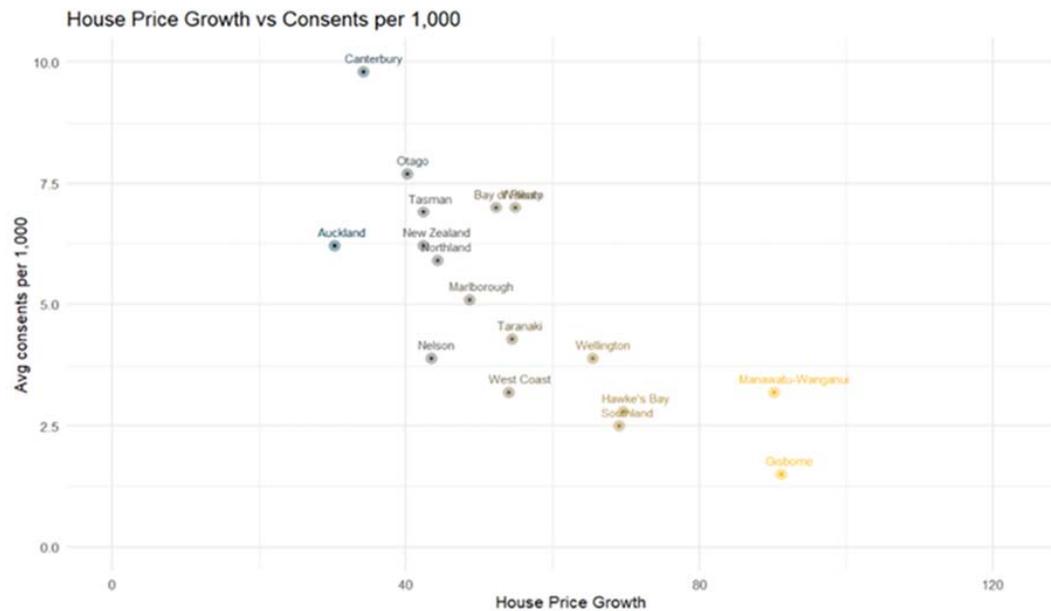


Annex C: Project summary template

Site overview			
location:		Proposed purchase price	
Area (hectares):		Registered valuation (if obtained)	
How will the project increase housing supply and affordability relative to market led development of the site? (provide ranges if uncertain)			
Objective	Metric	Kāinga Ora led development	Market norm/comparator
Housing supply	Total dwelling yield		
	Indicative project timeframe		
Housing affordability	Number and proportion of affordable homes		
Public housing supply	Number and proportion of public homes		
Further details	[insert any further details as appropriate (e.g. density mix, breakdown of affordable housing (e.g. KiwiBuild, market affordable rentals and community affordable rentals)), etc].		
How will the project support the Government's broader urban and wellbeing objectives?			
Objective	Contribution (explain)		
Increasing the supply of build ready land			
Protecting Māori interests and supporting Māori aspirations			
Supporting sector innovation, capacity and capability			
Supporting access to public transport, jobs, education and amenities			

Mitigating and adapting to climate change					
What is the anticipated quantum and/or nature of government funding, financing and support required? (Provide ranges if uncertain)					
Programme specific funding and financing (\$)		Other government funding and financing (\$)		Regulatory tools (tick if applicable)	
Kāinga Ora borrowing for acquisitions		IRRS/OS funding		Compulsory land acquisition	
Kāinga Ora borrowing for development		[Insert others as appropriate]		SDP Powers	
Government funding for interest and holding costs				IFF	
Government funding for non-commercial outcomes				[Insert others as appropriate]	
Partnering and delivery					
[Who are the proposed delivery partners or, if not know, how will they be selected?]					
[How is it anticipated that responsibilities, costs, risks, and rewards will be allocated between the partners?]					
Consultation and engagement (who has been consulted and what have they said?)					
[This should include consultation and engagement with relevant iwi, councils, government agencies, and other key stakeholders as appropriate].					
Other information to be aware of					
[Include any other relevant information Ministers should be aware of [e.g. underlying assumptions, interdependencies, media interest, key risks and mitigations]					
Key					
n/a = not applicable tbc = to be confirmed					

Annex D: Annex D: Dwelling consents per capita versus house price growth

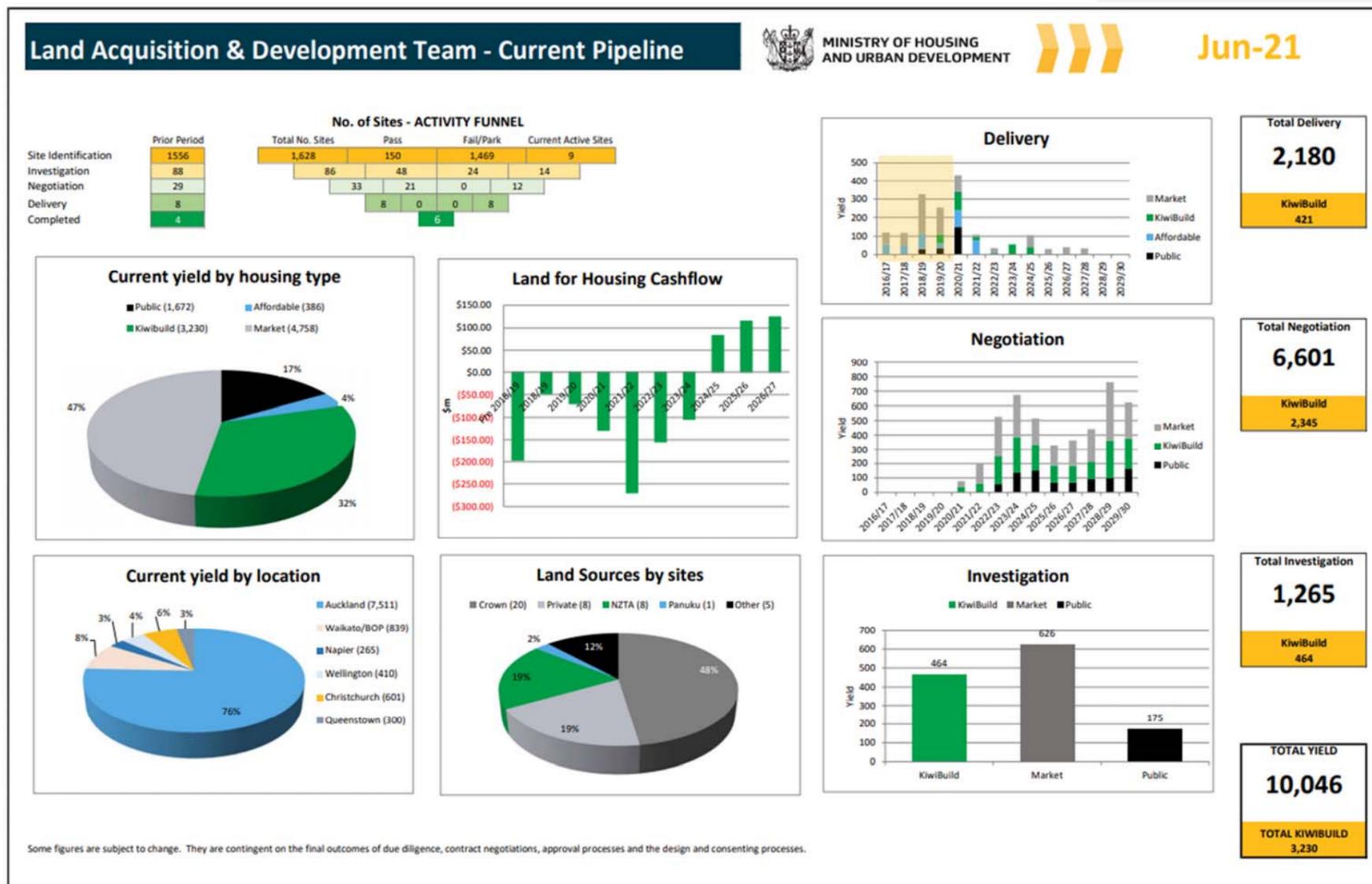


Commented [GT]26: Wellington aside, this chart shows us where house prices have been lower in the past, not where demand or affordability challenges have been highest.

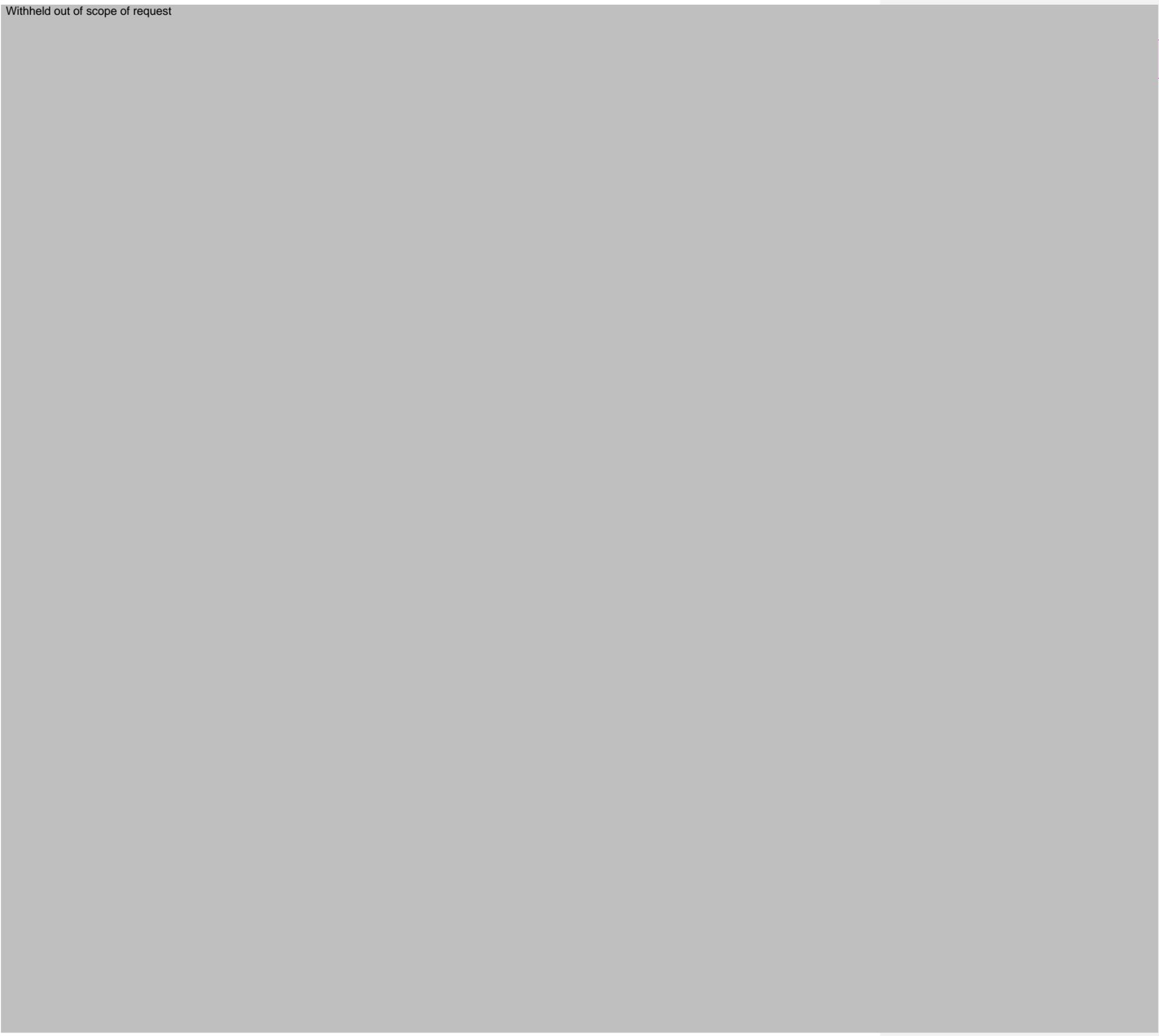
The above graph shows dwelling consents per capita from 2015 to 2018 and then house price growth (REINZ HPI) from 2018 to present.



Annex E: Land for Housing Programme pipeline report



Withheld out of scope of request



From: Glen Thomson [TSY]
Sent: Thursday, 9 September 2021 12:14 pm
To: Bastiaan van der Scheer [TSY]
Subject: FW: Draft - KO Land Programme KPIs and reporting
Attachments: Draft - KO Land Programme KPIs and reporting.docx

Keeping you in the loop ...

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Thursday, 9 September 2021 11:58 AM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>; ^Hud: Glenn Phillips <glenn.phillips@hud.govt.nz>; Grace Xu <Grace.Xu@hud.govt.nz>
Subject: FW: Draft - KO Land Programme KPIs and reporting

Hi Glenn,

Thanks again for your helpful feedback on the draft Kāinga Ora Land Programme report back.

As promised, attached is a near final draft. We'd appreciate receiving any further comments by 2pm tomorrow. Also happy to meet again, if that's easier.

Note: at this stage we've limited the discussion about performance measures to some key matters we want to draw to the Chair's attention now. We expect to have further discussions with Kāinga Ora regarding other potential measures and reporting expectations as they develop the draft SPE.

Regards,

Robert Murray

Principal Advisor | Urban Development Regulatory Tools

Place-based Policy and Programmes

robert.murray@hud.govt.nz | Phone: s9(2)(k)

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Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



He kāinga ora, he hapori ora - our purpose is thriving communities where everyone has a place to call home.



Briefing

Kāinga Ora Land Programme: KPIs and reporting			
Date:	8 September 2021	Security level:	
Priority:	Medium	Report number:	BRF20/21071040

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance		
Hon Dr Megan Woods Minister of Housing		

Contact for discussion				
Name	Position	Telephone		1 st contact
Hilary Eade	Kaiaki	s9(2)(k)	s 9(2)(g)(ii)	✓
Rob Murray	Principal Policy Advisor			

Other agencies consulted
[Names]

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) _____	Comments
--	---

Date returned to HUD:



Briefing

Kāinga Ora Land Programme: KPIs and reporting

For: Hon Grant Robertson, Minister of Finance
Hon Dr Megan Woods, Minister of Housing

Date: 8 September 2021

Security level:

Priority: Medium

Report number: BRF20/21071040

Purpose

1. This briefing seeks your agreement to the scope of the performance expectations, financial arrangements, and reporting arrangements for the Kāinga Ora Land Programme. It also appends a draft letter for the Minister of Housing to communicate your expectations to the Chair of [the Kāinga Ora Board](#).

Executive summary

2. While you have already agreed the high-level objectives for the Programme, this briefing addresses the means by which Ministers can ensure that Kāinga Ora is on track to achieve those objectives.
3. In particular, we propose that the Minister of Housing write to the Chair of [the Kāinga Ora Board](#) communicating (among other things) your expectations in relation to:
 - a. Programme implementation, with a focus on how Kāinga Ora can best add value; tailor its response to local housing needs, barriers and opportunities; and coordinate its investment activities with other central and local government agencies to secure optimal value for money from a whole of government perspective
 - b. Ensuring that Kāinga Ora's emerging investment plans and strategies reflect the Programme objectives, are informed by data and insights from the place-based approach, and provide a sound basis for Kāinga Ora to prioritise when, where and how it utilises the Programme (including versus other intervention options)
 - c. How the Programme's objectives will be reflected in Kāinga Ora's next Statement of Performance Expectations (SPE) and Statement of Intent (SOI), including appropriate use of leading indicators given the long lead times associated with housing and urban development
 - d. Ministerial consultation (consistent with the 'no surprises' convention and the expectations set out in Cabinet Office Circular CO (19) 6 *Investment Management and Asset Performance in the State Services*)
 - e. Financial settings, including to inform development of a funding agreement between the Crown (via HUD) and Kāinga Ora addressing use of the \$46 million per annum of operating funding approved for the Programme as part of Budget 2021
 - f. Ongoing Programme reporting.
4. A draft letter (essentially an ad-hoc letter of expectations (LoE) specific to the Programme) is attached at Annex A.
5. Also attached for your feedback/endorsement are:

- a. An illustrative outline of what you can expect to see in the indicative business cases to support land acquisition decisions under the Programme (Annex B)
 - b. A draft project summary template, developed as requested at your meeting with official from HUD, Treasury and Kāinga Ora (Annex C).
6. We propose that Kāinga Ora provide you with populated business case and project summary templates for all transactions that meet the threshold for ministerial consultation under Cabinet Office Circular CO (19) 6. In the case of the Project summary template, you have the option of receiving this information either:
- a. once Kainga Ora has completed its high-level due diligence and engagement, and concluded that it wishes to proceed to detailed due diligence and engagement; and/or
 - b. alongside the indicative business case, once Kainga Ora has completed its detailed due diligence and engagement, and concluded that it wishes to purchase a development site.
7. HUD will provide you with ongoing advice as appropriate, both in relation to specific investment proposals and within the context of its broader Programme monitoring role.

Commented [IA1]: Need to make it clearer that the Minister is being asked to make a choice around which option now to ensure we have a certain and consistent process going forward.

Commented [AB2]: Need to discuss what this means

Recommended actions

8. It is recommended that you:

<p>1. Note Cabinet agreed to establish a Kāinga Ora Land Programme (the Programme) to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing [CAB-21-MIN-0061 refers].</p>	<p><i>Noted</i></p>
<p>2. Agree (subject to incorporating your feedback on the recommendations in this briefing and the draft letter attached at Annex A) that the Minister of Housing write to the Chair of the Kāinga Ora Board setting out your expectations in relation to Programme implementation, including expectations:</p> <ul style="list-style-type: none"> 2.1 That Kāinga Ora develop and report back to you with a programme implementation strategy 2.2 That the Kāinga Ora Programme's operating model complements and supports, and avoids competing rather than competes with, private provision 2.3 That Kāinga Ora's SPE 2022/23 contains meaningful measures to track progress against the Programme's objectives, including leading indicators 2.4 Relating to pipeline reporting, when and how Ministers will be involved in decision making and access to Government funding 	<p><i>Agree / Disagree</i></p>
<p>3. Note officials have developed an annotated outline for the indicative business cases to support land acquisition decisions under the Programme (attached at Annex B)</p>	<p><i>Noted</i></p>
<p>4. Note officials have developed a project summary template (attached at Annex C) that could be provided to you:</p> <ul style="list-style-type: none"> 4.1 As an early heads-up once Kāinga Ora has completed its initial due diligence and engagement and concluded that it wishes to proceed to detailed due diligence and engagement on a potential site acquisition (Gate One) <p>And/or</p>	<p><i>Noted</i></p>

Commented [IA3]: Reference to "operating model" seems too broad - have amended to the KOLP

Commented [IA4]: COMMENT FROM CAROLINE M: Can we also language this aligned with the "additionality" principle we've been applying. Language around competition could be more easily misinterpreted going forward.

<p>4.2 Once Kāinga Ora has completed its comprehensive due diligence and engagement and concluded that it wishes to submit a purchase offer for a site (or, if it has already submitted a conditional offer, go unconditional) (Gate Two)</p>	
<p>5. Indicate whether you would like to receive the project summary template referenced in recommendation 4 above:</p> <p>5.1 Once Kainga Ora has completed its initial due diligence and engagement (Gate One)</p> <p>And/or</p> <p>5.2 Once Kāinga Ora has concluded it wishes to submit an offer or go unconditional on an existing offer (Gate two)</p> <p>5.3 Only for proposed investments that meet the threshold for Ministerial consultation under Cabinet office circular CO (19) 6 <i>Investment Management and Performance in the State Services</i> (e.g. proposed investments with a whole of life costs exceeding \$50 million)</p> <p>Or</p> <p>5.4 For all proposed investments under the Programme</p>	<p>[Need to add and format recs]</p>
<p>6. Indicate whether you would like officials to make any amendments to the draft documents referred to at recommendations 2 to 4 above (and, if so, the scope of those amendments)</p>	<p>Yes / No</p>
<p>7. Agree that Kāinga Ora should be working towards producing a Programme reporting dashboard similar to the Land for Housing dashboard (attached at Annex D) once the Programme achieves critical mass, and that this should include reporting on:</p> <p>7.1 The number of projects at each stage of the land acquisition and development pipeline (identification, investigation, negotiation, delivery, completed)</p> <p>7.2 The current and projected housing mix (public, KiwiBuild, other affordable, and open market)</p> <p>7.3 The geographic spread of housing delivery</p> <p>7.4 Current and projected Programme costs and revenues</p> <p>7.5 The average price paid for land relative to the average registered valuation (a proxy for write-down risk/whether the Programme is crowding out private developers)</p>	<p>Agree /Disagree</p>
<p>8. Agree that in the interim period Kainga Ora should be reporting relevant information to HUD on a monthly basis, and reporting highlights through its quarterly report</p>	<p>Agree /Disagree</p>
<p>9. Authorise the Chief Executive of HUD to develop and execute a funding agreement between the Crown and Kāinga Ora formalising the drawdown process for the \$46 million per annum operating funding allocated to the Programme through Budget 2021 [CAB-MIN-0116.15 refers].</p>	<p>Agree / Disagree</p>

Commented [IA5]: This isn't reflected in para 6 or the LOE

Commented [IA6]: It's a bit hard to tell what is being proposed here. We think this is asking Ministers to choose if they want this summary template:

(A) Either (i) for all proposed investments, or (ii) just investments over \$50m.

Either at (i) G1, or (ii) G2, or (iii) both G1 and G2.

Commented [IA7]: See further comments below, noting KiwiBuild is a very tight definition of market affordable and we need more flexibility around what is affordable

Commented [AB8]: Price v valuation is not necessarily suitable for value write-downs, but agree we do need to come up with another proxy to forecast this

Commented [SF9R8]: Agree - and the basis for the valuation needs to be clear/agreed - too easy to confuse differing valuation results done on a different basis.

Commented [LT10]: What is the interim period? Is that the awaiting critical mass stage - monthly reporting seems pretty onerous, particularly during the early stages of the Programme

Hilary Eade
Kaiaki

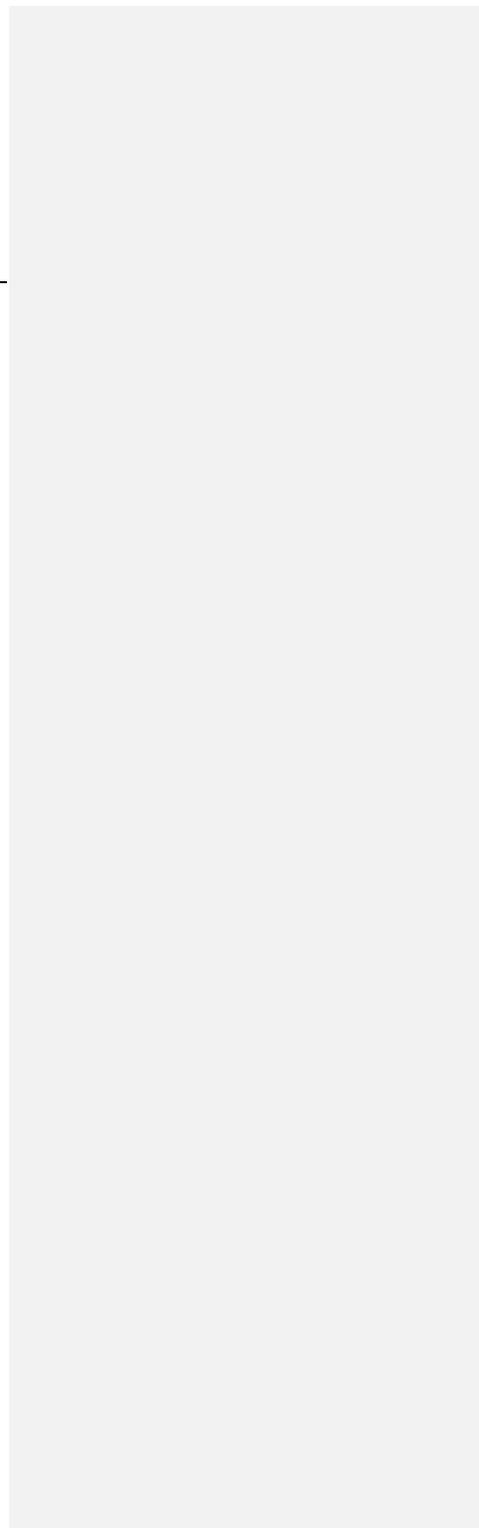
..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon Dr Megan Woods
Minister of Housing

..... / /



Background

9. In March 2021, Cabinet agreed to establish a Kāinga Ora Land Programme (the Programme) that would enable Kāinga Ora to strategically purchase land to increase the the pace, scale and mix of housing developments, including more affordable housing [CAB-21-MIN-0061 refers].
10. In April 2021, Cabinet agreed to provide \$46 million per annum of operating funding for the Programme as part of Budget 2021 [CAB-MIN-0116.15 refers]. It will be used to service \$2 billion of Kāinga Ora borrowing for land acquisitions and development, meet holding costs, allow for development risks, expense any land value write-downs, and provide other targeted support to achieve the Programme objectives as necessary.¹

Programme objectives

11. In July 2021 the Minister of Housing agreed that the Programme's primary objectives would be to increase the:
 - a. supply of build ready land for housing and urban development
 - b. pace, scale, density and regional spread of housing development
 - c. proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own.
12. The Minister also agreed to a range of supporting objectives relating to Māori interests; supporting sector capacity and innovation; access to transport, jobs and amenities; and climate change, and noted that HUD would report back on proposed KPIs and reporting arrangements for the Programme [HUD briefing BRF20/21050950 refers].
13. We understand that the Minister of Finance is also supportive of these objectives, which are closely aligned with the statutory objectives, functions and operating principles of Kāinga Ora.²

Balancing certainty and flexibility through expectation setting, monitoring and reporting

14. While you have already agreed the high-level objectives for the Programme, the Crown entity monitoring framework is the means by which you can ensure that Kāinga Ora is on track to achieve those objectives. The Programme specific arrangements will be nested within the broader framework for setting the strategic direction and priorities of Kāinga Ora, and reporting on its performance³, and need to strike a balance between:

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¹ This could include writing down land values to offset the adverse commercial impact of Kāinga Ora requiring its development partners to develop land in a manner that deviates from its highest and best (i.e. most profitable) commercial use (e.g. requiring them to incorporate significant proportions of affordable homes, and build faster or denser than market norms).

² As set out in paragraphs 12 to 14 of the Kāinga Ora – Homes and Communities Act 2019

³ This framework includes:

- a. The Government Policy Statement on Housing and Urban Development (GPS), currently under development, which Kāinga Ora must give effect to when performing its functions
- b. Letters of Expectations (LOEs)
- c. Kāinga Ora's Statement of Intent (SOI) and Statement of Performance Expectations (SPE), drafts of which must be provided to you for comment at least two months before the start of the relevant financial year
- d. Kāinga Ora's quarterly performance reporting and Annual Report
- e. HUD's role as monitoring agency, which includes assisting you in your oversight role, tendering advice and Vote administration.

- a. setting relevant and measurable expectations to provide a clear signal of the Government's priorities, including the outcomes it is seeking, to both Kāinga Ora and its development partners
- b. retaining sufficient flexibility for Kāinga Ora to tailor its approach to local needs and opportunities
- c. tracking progress of the Programme as a whole to ensure it is on-track to meet its objectives and, if not, inform any necessary changes to policy and operational settings.

15. We anticipate that the expectations, measures and reporting arrangements will evolve over time, as we gather further insights from the land acquisition process; engagement and commercial negotiations with key partners including councils, private developers, iwi and community organisations; and project delivery.

Setting initial expectations and measures

16. You would typically communicate your expectations to Kāinga Ora via the annual LOE. However, given the Programme is being established mid cycle, we recommend that the Minister of Housing writes to the Chair of the Kāinga Ora Board now setting out your expectations in relation to the Programme. We have attached a draft letter at Annex A, which builds on our previous advice and reflects the recommendations set out below.

A strategy led approach

17. In order to maximise the impact of the Programme, Kāinga Ora will need to adopt a strategic approach to site selection and development. To this end, ~~we note propose you that the Kāinga Ora Urban Development Strategy is in the process of being updated to include the objectives and priorities of the Programme invite Kāinga Ora to develop and report back to you with a programme implementation strategy that can will then be incorporated into its emerging Regional Investment Plans and Area Development Strategies, as well as its updated Urban Development Strategy.~~

18. Among other things, this approach will help to ensure that ~~Kāinga Ora has a sound framework for prioritising its investment decisions under the Programme are both across New Zealand and within specific locations, which is~~ informed by the Programme objectives, data and insights gathered from the Place-based and Urban Growth Partnerships (where they exist), and consideration of the full suite of funds and tools through which Kāinga Ora can influence housing and urban development outcomes. Purchasing land won't always be the best way for Kāinga Ora to achieve these outcomes.

19. ~~We suggest you acknowledge that it will take time Kāinga Ora to develop these strategies, and that you are still open to Kāinga Ora investing and progressing compelling land acquisition and development opportunities in the intervening period. However, we expect the emphasis to shift to a more structured and less opportunistic approach to site identification and selection over time as these strategies are completed.~~

An operating model that complements and supports other providers and investment

20. The key measure of success will be the extent to which the Programme delivers housing that is genuinely additional to, and more affordable than, what the market would have delivered on its own. This will require Kāinga Ora to facilitate housing delivery at increased pace and density, and in a broader range of locations and tenures, than would otherwise occur. Otherwise, there is a very real risk that the Programme will simply compete with private

Commented [IA11]: Note Kāinga Ora already has a strategic framework and an Urban Development Strategy forms part of this. We are in the process of updating that strategy to reflect the Kāinga Ora Land Programme ie there is no need to develop a separate implementation strategy for the KOLP. We can discuss further at our meeting.

Commented [IA12]: We already do this through the IMF. Reworded to reflect this.

Commented [LT13]: See comment re para 17

Kāinga Ora's Board is also expected to keep you informed, in a timely manner, of any important initiatives and issues consistent with the 'no surprises' convention.

provision. To this end, we propose you use the letter to reinforce your general expectations that Kāinga Ora:

- a. acquire land through 'off market' transactions where practicable, to avoid directly competing with other purchasers
- b. focus on where and how it can best add value, including:
 - i. facilitating housing delivery in locations and typologies, and for cohorts, that would not be commercially attractive without government intervention and support
 - ii. using its unique land acquisition and development powers to aggregate land and address planning or infrastructure constraints where appropriate (subject to relevant Ministerial approvals)
- c. facilitate housing delivery in a broader range of towns and cities with unmet housing needs, including responding to the issues and priorities identified through the urban growth and place-based partnerships (where they exist)
- d. work in genuine partnership with private developers, iwi/Māori, and community organisations, leveraging their skills, experience and resources, and supporting their aspirations, as appropriate
- e. coordinate its investment activities with other central and local government agencies to ensure optimal impact and value for money from a whole of government perspective (e.g. through capturing and reinvesting value uplift from public investment in infrastructure and amenity).

Commented [IA14]: COMMENT FROM CAROLINE M: If prioritising off-market transactions, and if L4H has priority on crown land transactions, then we are limited to trying to find private vendors who want to sell off market. This is extremely limiting...

21. The importance of Kainga Ora looking beyond the locations where it is currently active in housing and urban development is illustrated by the graph attached at Annex D. It shows that the most acute housing supply and affordability pressures are before felt beyond Auckland and Christchurch, where Kainga Ora already owns significant land holdings.

Commented [IA15]: COMMENT FROM GINA: Query whether this is the right word? Probably is, but check whether it is too high a bar, or if it should be more about sharing our plans or collaborating where relevant.

Commented [IA16]: We are not sure why this is relevant. Is it implying that we should redevelop existing land holdings rather than buy more land in these locations? That would require additional funding.

Tracking progress towards the Programme's primary housing supply and affordability objectives

22. The long lead times associated with property acquisition and development mean few, if any, homes will be completed within the first 18 to 24 months of the Programme. We therefore propose that HUD work with Kāinga Ora to develop Programme specific measures that, in the first instance, are focussed on the leading indicators of whether Kāinga Ora is on track to meet the Programme's primary housing supply and affordability objective.
23. Under the Crown entity framework, it is the Kāinga Ora Board that is ultimately responsible for proposing specific measures and targets to you within the context of developing its draft SPE 2022/23. However, we propose you signal your particular interest in Kāinga Ora developing performance measures and/or reporting relating to:

- a. **The carrying capacity of land acquired for the Programme.** Focussing on housing yield, rather than the number or size of sites acquired, would provide an incentive for Kāinga Ora to target sites that offer the potential to optimise housing densities
- b. **The progress of preparatory works to prepare sites for housing development.** This could, for example, include measures relating to the planning/consenting process, land remediation and infrastructures provision.
- c. **The likelihood of securing significant proportions of affordable housing aligned with need, based on independent financial analysis.** This will require careful site selection (based on feasibility analysis), and judicious rationing of the \$200 million (averaging \$10 million per annum) ringfenced to support non-commercial outcomes over the life of the Programme.

Commented [AB17]: Don't think this description is right

Commented [AB18]: This implies the only tool to achieve affordability is some kind of subsidy – see further comments below on affordable and having further flexibility here

24. Once the programme is further advanced, we anticipate a shift of focus to setting expectations in relation to the actual number and composition of houses that are contracted, under construction or delivered in accordance with the agreed business cases.

How affordable housing is defined will be a key consideration

25. A key consideration in developing an appropriate affordability measure (or measures) will be how that affordable housing is defined. It could conceivably include a mix of:

- a. **Market affordable housing** – housing that is sold or rented at market rates, and is inherently more affordable by virtue of its efficient design, construction and land use rather than the provision of an explicit subsidy (e.g. the original intent behind KiwiBuild)
- b. **Community affordable housing** – subsidised housing rented (typically by not for-profit providers) to lower income households who cannot afford to pay a market rent, but do not necessarily need or rank as a high priority for public housing.
- c. **Public Housing** – a subset of affordable housing provided at an income related rent, and targeted to those who need it most.

26. In addition to targeting households with different needs and means, each of these approaches will have different impact on project viability, and therefore the number of homes that can be delivered and or the amount of subsidy required (e.g. through writing down land values). The viability of delivering market affordable housing will, s9(2)(f)(iv)

[HUD briefing BRF20/21071045 refers]. Community affordable housing will almost certainly require some form of subsidy. Kainga Ora will purchase any land or houses that it wishes to retain for public housing from the Programme at market value, drawing on its dedicated Public Housing funding and financing arrangements. However, there is always a risk that the presence of public housing could reduce the market attractiveness of other housing in the development.

27. While different in nature, we note that the Land for Housing Programme has been able to [secure] approximately 17 percent public housing and 36 percent KiwiBuild/affordable housing across its developments to date. Kainga Ora current SPE target for the non-public housing component of its large-scale projects is to deliver 40 percent of the homes below KiwiBuild price points. We will provide you with further advice on what might be appropriate for the Programme within the context of Kainga Ora developing its proposed SPE measures.

Reinforcing expectation in relation to the Programme's cross cutting supporting objectives

28. The Programme's supporting objectives are:

- a. **Protecting Māori interests and supporting Māori aspirations**
- b. **Mitigating and adapting to climate change**
- c. **Supporting good access to jobs, education and amenities**
- d. **supporting sector innovation, capacity and capability.**

29. These supporting objectives are broad in nature, and equally relevant to many of Kainga Ora's other housing and urban development activities. Kainga Ora's 2021/22 SPE already contains a number of measures relating to supporting objectives a, b and c above. When reviewing the 2021/22 SPE, you indicated that you would like to see further measures developed for inclusion in the 2022/23 SPE including measures relating to the quality and effectiveness of partnerships and engagement, urban development activities and outcomes over time, environmental sustainability activities, and supporting Māori interests. The statutory deadline for Kainga Ora to provide you with their draft SPE, is 30 April 2022.

30. We propose that you use the letter attached at Annex A to reinforce your general expectations in relation to these matters, building on your previous Kainga feedback and having regard to the specific issues and opportunities arising from the Kainga Ora Land Programme.

s 9(2)(g)(ii)

Commented [LT20]: Does this mean the KB price caps would apply?

Commented [GS21]: This seems to have missed homes sold at prices below their market value eg via a ballot. Suggest calling this subsidised affordable housing, which includes rentals or sales

Commented [LT22]: We have raised this issue before – where would the ongoing subsidy for this product come from? The whole \$200m would only subsidise a few hundred houses over the life of the programme

Commented [LT23]: Would tenants in these homes have access to AS? Who would be the landlord? CHPs? Other NGOs?

Commented [GS24]: Absolutely. Even market affordable will probably require some (non-targeted at any household) subsidy, as almost by definition it is not an outcome the market is delivering, because it can make more money with larger, expensive homes, and while we compete with these developers for land we'll need to pay those prices too

Commented [LT25]: Will market affordable be defined by KB price caps?

Commented [GS26R25]: Yes, this worries me. The main focus is increasing housing supply. We will focus on delivering a typology mix that makes the homes inherently more affordable, s9(2)(f)(iv)

. I think we should be looking at a different metric altogether here eg price relative to average in market

Commented [LT27]: Really uncomfortable with this comparison being made based on a handful of projects

Commented [IA28]: Can we delete these two sentences? In general, we are concerned that the comparison to L4H is misleading given it operates quite differently to the KOLP

s9(2)(g)(i)

You can refine and expand on your expectations via the annual Letter of Expectations

31. HUD will also engage with you on the next annual draft Letter of Expectations by early 2022. This could set further expectations based on what has been learned through early reporting.

Information to support specific investment decisions

32. Our previous advice provided a high-level overview of the proposed approach by Kāinga Ora to assessing and prioritising land acquisitions and securing development outcomes under the Programme. This includes preparing business cases and consulting and/or seeking Ministerial agreement to investment decisions in accordance with Cabinet Office Circular CO (19) 6: *Investment Management and Performance in the State Services* [HUD briefing BRF20/21050950].
33. This means Ministers will be consulted on (and provided with the opportunity to comment on indicative business cases for) high value (i.e. where whole of life costs exceed \$50 million) and/or high-risk investments, followed by Cabinet consideration as appropriate. Cabinet approval will be required for any investments that require new Crown support or funding (i.e. over and above the \$46 million per annum already approved for the Programme). For example, any projects progressed as Specified Development Projects under the Urban Development Act will need a detailed funding plan that may involve significant investment in enabling infrastructure and amenity servicing a mix of publicly and privately owned land.

Commented [IA32]: COMMENT FROM GINA: Is this briefing saying that there will be an agreement between HUD and Kāinga Ora about how / when we can drawdown against the \$46m (which presumably doesn't require Ministerial approval)?

Expected content of indicative business cases

34. HUD and Kāinga Ora have worked with Treasury to clarify the requirements of the Cabinet Office Circular, given land acquisition decisions will often need to be completed in a compressed timeframe. This means it won't always be possible for Kāinga Ora to develop a full business case prior to purchasing a property. Treasury advises that this is a common issue faced by a range of agencies, and has recommended that it be addressed through Kāinga Ora preparing a:
- High-level indicative business case pre land acquisition; and
 - More comprehensive business case post acquisition, once more detailed design work and financial analysis has been completed.
35. An illustrative outline of what you can expect to see in these indicative business cases is provided in Annex B, following the better business case format. These indicative business cases will include consideration of potential mitigations and offramps, in the event that unforeseen issues are identified during development of the detailed business case.
36. HUD will provide supporting advice to you on all business cases where Kāinga Ora is required to consult with you.

Project summary template

37. At your meeting with officials from HUD, Treasury and Kāinga Ora on 9 August you requested that officials work together on a project summary template for the Kāinga Land Programme covering:
- alignment with housing objectives (e.g. volume, speed and typology);
 - who is leading and with whom Kāinga Ora is partnering;
 - contribution to broader urban development, climate and infrastructure outcomes, etc; and
 - the relationship with broader government investment and support (e.g. supporting infrastructure provisions via the Infrastructure Acceleration Fund or Infrastructure Funding and Financing Act).
38. A draft template is attached at Annex C. Depending on how you would like to use this information, it could be provided to you:

- a. as an early heads-up once Kāinga Ora has completed its initial high-level due diligence (principally desktop based), and concluded that it wishes to proceed to comprehensive due diligence (and, potentially, submitting a highly conditional purchase offer⁴). At this point Kāinga Ora will have an initial idea of the housing and urban development outcomes that the potential land acquisition could support, but won't have worked through all of the relevant constraints, opportunities and risks; and/or
- b. alongside the indicative business case once Kāinga Ora has completed its comprehensive due diligence (e.g. including onsite geotechnical and contamination investigations) and engagement, and feels confident recommending that an offer be submitted (or, where a conditional offer is already in place, making that offer unconditional).

Pipeline reporting

39. The Kāinga Ora Land Programme is one of several new and pre-existing Government initiatives focussed on increasing the supply of build ready land and facilitating delivering of a mix of public, affordable and market priced homes. This includes the Land for Housing Programme, which utilises an established pipeline reporting dashboard (attached at Annex C).
40. For coherence, we propose you set an expectation that Kāinga Ora work towards developing a similar reporting dashboard for the Programme showing, among other things:
- a. The number of projects at each stage of the land acquisition and development pipeline (identification, investigation, negotiation, delivery, completed)
 - b. The current and projected housing mix (public, KiwiBuild, other affordable, and open market)
 - c. The geographic spread of housing delivery
 - d. Current and projected Programme costs and revenues
 - e. The average price paid for land relative to the average registered valuation (a proxy for write-down risk/whether the Programme is crowding out private developers).
41. Given it will take time to build the project pipeline, we propose that Kainga Ora provide relevant information to HUD on a monthly basis in the first instance (including to inform Vote administration), with highlights being provided to Ministers via Kāinga Ora's quarterly report. This would include the types of information set out in the draft letter attached at Annex A.
42. Our expectation is that Kainga Ora would work towards providing more comprehensive programme overview dashboard, similar to Land or Housing, as its project pipeline approaches critical mass.
43. Consistent with the no surprises approach, Kāinga Ora will also keep you informed of any material or significant events, transactions and other issues relating to the Programme that may be contentious or could attract public interest, whether positive or negative. This includes an early heads-up on potential acquisitions that are likely to attract attention from media or key

Commented [SF33]: Not sure how it's proxy for crowding out. s9(2)(g)(i)

Commented [AB34]: This sort of info will be covered in other BAU reporting

Same comment as above re valuations

Commented [SF35R34]: Agree - this could easily be pitched as the Minister having access to relevant information Kāinga Ora uses to monitor the Programme through the monitoring function.

⁴ This reflects the fact that land acquisition opportunities are often time limited, and detailed due diligence and business case development can also be time consuming and expensive. Before committing its resources, Kāinga Ora needs a reasonable degree of certainty that it will be able to secure the property in question if these pan out. Entering into a conditional sale and purchase agreement will often best way to secure this certainty, while retaining sufficient flexibility for the agreement to be cancelled if the due diligence and indicative business case identify major issues and/or any required Board or Ministerial approvals are not forthcoming.

stakeholders, and advising you of any material delays, cost overruns and reputational or legal risks.

Ability to purchase council-owned land

44. At the meeting with officials on 9 August you agreed that the:
- a. Kāinga Ora Land Programme should primarily focus on acquiring and facilitating development of land owned land by the private sector; and
 - b. Land for Housing Programme should primarily focus on acquiring and facilitating development of Crown owned land.
45. You also acknowledged that who currently owns the land is not necessarily always the best indicator of which agency is best place to develop that land. There may be situations where it makes sense for the Kāinga Ora Land Programme to acquire Crown-owned land and for the Land for Housing Programme to acquire privately owned land. For example, to aggregate contiguous land parcels that are in different ownership or where one of the agencies has an established relationship with a suitable development partners (e.g. through an established developer panel or partnership with iwi).

Clarifying Kāinga Ora's ability to purchase council owned land

46. There may also be situations where it makes sense for HUD and/or Kāinga Ora to purchase council owned land. By way of example, Kāinga Ora is currently exploring several opportunities to acquire council owned land where the council cannot afford to develop it, but does not want to sell the land on the open market as this will not achieve the housing outcomes they want.^{s9(2)(i)}

47. Kāinga Ora have established a place-based regional structure for the purpose of, amongst other things, establishing trusted relationships with key stakeholders such as councils at a local level. Through these relationships, Kāinga Ora is well placed to identify opportunities to purchase land or work in partnership with councils to achieved shared urban development outcomes.^{s9(2)(i)}

46.

47-48. Similarly, the Land for Housing Programme has a successful track record of acquiring and facilitating development of surplus council owned land (e.g. the 110-unit Atlas Quarter and 76 unit Colombo Street developments in Christchurch) to deliver a mix of market and affordable homes, and is currently investigating further opportunities.

48-49. We propose you agree that either agency may purchase council-owned land in situations where central Government involvement could remove barriers to development (e.g. through use of Kāinga Ora's land acquisition and urban development powers) and/or deliver better housing outcomes (e.g. pace, scale and affordability), and that HUD and Kāinga Ora agree who is best placed to acquire and develop a given piece of land within the context of the information sharing agreement currently under development.

Funding and financing drawdowns and reporting

Debt issuance

49-50. We propose that allowances be made within Kāinga Ora's overarching borrowing protocol to raise debt for the Programme, and any borrowing requirement be consolidated within the Kainga Ora bond issuances (i.e. there will not be a dedicated financial instrument solely for the Programme or any individual transaction within it). You have already agreed to increase Kāinga Ora's private borrowing limit by \$1.2 billion (to \$8.3 billion) to finance the next stage of its build programme through to June 2022, including a \$200 million allowance for initial land purchases under the Programme [HUD briefing BRF20/21040921 refers].

Commented [IA36]: CAROLINE M: While technically accurate, it would be good to call out that there should be open sharing of information between this Programme and the L4H programme to ensure alignment and no accidental competition.

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Commented [IA37]: Is this being drafted? We haven't seen anything further following Hannah's note to the Minister.

Commented [SF38]: Hasn't that already been announced as the fundamental enabler for the Programme – so not a proposal, just something to action, where the intent of that approach was to give Kāinga Ora the flexibility to manage this Programme effectively.

50-51. Future private borrowing limit increases will also be subject to Joint Ministers' approval, and specify how much of the total borrowing limit increase requested will be used for the Programme. We currently expect to approach you for the next private borrowing limit increase towards the end of this calendar year.

Commented [SF39]: Which will incorporate this programme, and other aspects influencing the required borrowing protocol.

Use of the \$46 million per annum of operating funding approved in Budget 2021

Interest costs associated with Kāinga Ora borrowing for the Programme

54-52. Given Kāinga Ora's debt profile will be well known in advance, we propose that Kāinga Ora provide HUD with a schedule of interest cost based off the proposed purchases, which HUD will pay quarterly in advance. We also propose an annual "wash up". Where actual investments are significantly lower than the borrowing allowed, this will involve:

- a. reassessing the need for additional borrowing in the next year
- b. assessing the net interest costs (interest on borrowing less interest on financial assets accumulated) difference to deduct from further interest payments.

Commented [SF40]: Is this reassessment of the borrowing protocol, or just an update of intent to borrow (We want the flexibility to work within an overall debt level, not "componentise" the protocol.)

Holding costs associated with land acquired by Kāinga Ora for the Programme

52-53. We propose that Kāinga Ora provide HUD with a forward schedule of holding costs (e.g. rates) for land acquired under the Programme, which HUD will pay quarterly in advance. A wash up will occur each year for timing differences (purchases made and settled within a quarter and disposal of land within the quarter).

Commented [GS41]: While this all sounds reasonable, I think the modelling was based on \$46m each and every year, against a projected spend profile. We just solved for the income required – I am not sure it will be the same if it is on a pay as you go basis but would need to rethink he modelling. In other words the modelling I think had overs and unders but averaged out to \$46m...

One off costs associated with disposal of land

53-54. We propose that access to the \$10 million per annum set aside for non-market outcomes be based off the cash losses that Kāinga Ora incurs when it on-sells land (valuations up and down of land holdings will not be funded until the loss is confirmed at the point of sale). This is effectively providing the funding source to repay debt (which would have been met through land sales). Payment would be made on the basis of an approved sale agreement provided to HUD and validation of the loss incurred, with Ministers being informed.

s9(2)(j)

54-55. [Need another para explaining how much we have provision for development risks, and how that money will be accessed. My working assumption is that it will be at the point of sale via a write down].

Commented [SF43]: Similar point as made previously – the cash loss is actually earlier – when we are incurring the spend, and there will be an ongoing process of valuing the land under development which may result in losses being recognised earlier in Kāinga Ora's financial statements. When the loss is confirmed by intent or evidenced by valuation is much earlier than the end point of not getting the revenue you never intended to get.

Establishing a formal funding agreement for the Programme

55-56. Subject to your feedback on the recommendations outlined above, we propose developing a formal funding agreement between HUD (on behalf of the Crown) and Kāinga Ora.

Commented [GS44]: As above, this is not how it was modelled. And I think will have a different financial profile. I think it would be better to have the money come in every year, and payments be made as they arise, and then a wash up to refund the government of anything that wasn't used at the conclusion of the programme

Consultation

56-57. Kāinga Ora and the Treasury were consulted on this briefing. The Department of the Prime Minister and Cabinet was informed

Commented [AB45]: This may mean loss is not incurred until end of the project, i.e. 15-20 years away

Next steps

57-58. Subject to your agreement to the recommendations outlined in this briefing, we propose that:

- a. The Minister of Housing sign and send the letter attached at Annex A to the Chair of Kāinga Ora, to clarify your expectations in relation
- b. HUD prepares and executes a funding agreement between the Crown and Kāinga Ora.

Annexes

- Annex A: Draft letter to the Chair of Kāinga Ora.
- Annex B: Indicative business case outline

- Annex C: Project summary template
- Annex D: Dwelling consents per capita versus house price growth
- Annex E: Land for Housing Programme pipeline report

Annex A: Draft letter to the Chair of Kāinga Ora

[Need to place on letterhead]

Commented [IA46]: This obviously needs to be updated following changes made to the main briefing. However, there's some detail in here not covered in briefing eg reference to 30% - 50% affordable

Dear Vui,

As you will be aware, Cabinet has agreed to establish the Kāinga Ora Land Programme (the Programme) so that Kāinga Ora can strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing. This is an exciting opportunity that will provide Kāinga Ora with the resources to expand its urban development role.

The purpose of this letter is to advise you of my expectations in relation to Programme implementation. This includes expectations regarding alignment with Programme objectives, performance, reporting and assurance, and funding and financing processes.

Programme objectives

The Minister of Finance and I have agreed that the Programme's primary objectives are to increase the supply of build ready land for housing and urban development; pace, scale, density and regional spread of housing development; and proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own.

We have also agreed to supporting objectives focused on protecting Māori interests and supporting Māori aspirations; supporting sector innovation, capacity and capability; supporting good access to public transport, jobs, education and amenities; and mitigating and adapting to climate change.

These objectives are consistent with Kāinga Ora's own statutory objectives, functions and operating principles.

It is important that the Board has appropriate strategies, controls and assurance processes in place to ensure that the Programme achieves these objectives.

Adopting a strategic approach to site selection and development

I expect Kāinga Ora to adopt a strategic approach to site selection and development. In developing this strategy, please have particular regard to the Programme objectives and consider the importance of:

- a. avoiding direct competition with other developers through exploring opportunities to secure land through 'off market' transactions, where practicable
- b. focussing on where and how Kāinga Ora can best add value, including through:
 - a. facilitating housing delivery in locations and typologies, and for cohorts, that would not be commercially attractive without government intervention and support
 - b. aggregating land and addressing planning or infrastructure constraints (drawing on its unique land acquisition and development powers where appropriate, subject to relevant Ministerial approvals)
- c. facilitating housing delivery in a broader range of town and cities with unmet housing needs, including responding to the issues and priorities identified through the urban growth and place-based partnerships (where they exist)
- d.—
- e. demonstrating genuine partnership with private developers, iwi/Māori, and community organisations, leveraging their skills, experience and resources, and supporting their aspirations, as appropriate

- f. coordinating investment activities with other central and local government agencies to ensure optimal impact and value for money from a whole of government perspective (e.g. through capturing and reinvesting value uplift from public investment in infrastructure and amenity).

Please keep Te Tūāpapa Kura Kāinga informed when developing this strategy. I would also appreciate receiving a copy of the strategy, once completed.

Tracking success for the Programme

I am conscious that the long-lead times associated with housing and urban development mean the performance expectations and reporting arrangements for the Programme will need to evolve over time, as it transitions from a primary focus on site identification and acquisition through to consenting, land development and, ultimately, housing delivery.

Expectations relating to the Programme's objectives

In implementing the Programme (and developing appropriate performance measures), I ask that consider how Kāinga Ora can best demonstrate progress against the Programme's primary objectives through appropriate use of leading indicators. I am particularly interested in Kāinga Ora considering measures that might best demonstrate:

- the number of houses that could feasibly be delivered on land acquired for the Programme
- that the land acquired for the Programme can support a significant proportion of affordable housing (say 30 to 50 percent, on average)
- the progress of planning, consenting and preparatory works to prepare sites for housing development (e.g. the percentage of projects being delivering in accordance with project development plan, standards and timeframes)

The Programme's supporting objectives are broad in nature, and therefore equally relevant to a range of other Kāinga Ora Programmes and activities currently measured through the SPE. There is opportunity to further expand on existing SPE measures, having regard to the Kāinga Ora Land Programme. In relation to Māori interests and engagement, I am particularly interested in how:

- the Programme protects Māori interests and supports Māori aspirations, for example, engaging with Maori through place-based engagement activities, and exploring Maori interest as part of the site due diligence process
- Māori are provided opportunities to participate in the developments
- Māori capacity and capability building is supported.

Please keep HUD informed as you develop your draft SPE measures.

Ministerial consultation

I expect to be consulted on investment decisions in accordance with the expectations set out in Cabinet Office Circular. CO (19) 6: *Investment Management and Asset Performance in the State Services*. Please ensure that the supporting business cases clearly demonstrate how proposed investments will overcome barriers to, and provide significantly better housing outcomes than, private sector led development.

I would also appreciate being informed of key programme developments, risks and opportunities under a 'no surprises' approach.

Pipeline reporting and assurance

I expect programme reporting to be provided to me quarterly, with more granular reporting to HUD on a monthly basis. Please work with HUD to ensure reporting is fit for purpose, and has flexibility

to adapt to capture a full pipeline as land acquisitions start to build momentum. From the reporting, I'm particularly interested in:

- the development pace, scale, density, tenure and price points
- the geographic spread of land acquisitions beyond main centres
- the progress of preparatory works to prepare sites for housing development (infrastructure uplift)
- other non-commercial outcomes achieved, for example,
 - pipeline certainty for the sector to innovate, lift productivity and ultimately deliver cheaper houses faster
 - increased pace and housing density, alternative ownership and tenure
 - catalysing developments that would not otherwise be commercial
- work with private developers/builders, local iwi and not-for-profit organisations to develop the land
- how non-commercial outcomes are funded.

Given a wide range of stakeholder interest in the Programme, I encourage Kāinga Ora to proactively communicate development opportunities and progress with key partners and stakeholders

Commented [IA47]: We already do this – can you please explain why this is being specifically called out?

Funding and financing

Budget 21 included \$46 million per annum of operating funding for the Programme, which will be used to service \$2 billion of Kāinga Ora borrowing for land acquisitions and development, meet holding costs, allow for development risks, expense any land value write-downs, and provide other targeted support as necessary. The Minister of Finance and I have authorised the Chief Executive of HUD to negotiate a funding agreement between the Crown and Kāinga Ora, to clarify the process through which Kāinga Ora may access this operating funding.

As always, I expect that the Board to ensure the Programme and related assets are managed in a financially responsible manner consistent with Government objectives.

I look forward to seeing the exciting opportunities enabled by this Programme as it progresses.

Your sincerely,

Hon Dr Megan Woods
Minister of Housing

Annex B: Indicative Business Case Outline

Kāinga Ora Land Programme Business case key ingredients

Strategic Case – making the case for change

- Outline a strong narrative (tell the story) of how the proposal fits within the government and organisation’s strategic context and strategic intentions. This means both strategic alignment with the Programme objectives, and site specifics including:
 - At strategic level, cover the programme level alignment to policy objectives
 - Specific development objectives and link directly to the strategic intent of the Kāinga Ora Land Programme e.g.
 - why this site/location and why this investment;
 - link to transport nodes and amenities, connection to spatial plans, place-based approach, PHPs and other relevant programmes (IFF, etc);
 - What’s the stakeholders’ inputs into this – e.g. discussions with partners in the area, Māori engagement to date or proposed; targeted Māori outcomes sought
 - To what extent are regulatory levers used, such as potential use of UDA powers (SDP, compulsory acquisitions); if used, what are the outcomes these powers will deliver that cannot be readily achieved another way (e.g. land aggregation, increased pace of development)
- Confirm the need for investment – be specific
 - What’s the Kāinga Ora value proposition that’s different from other developers (eg. overcoming barriers, better housing outcomes-tenure mix, density, volume, pace, affordability and cost implications/direct subsidy that catalyses developments that would not otherwise be commercial)? What happens if KO doesn’t do this? What are the other options?
 - What are the direct and indirect benefits of the proposal (e.g. value uplift through land aggregation, re-zoning, and overcoming infrastructure and other constraints, and non-market outcomes)
- What are the main risks?
 - Constraints, dependencies and assumptions (eg. contamination, wetland provision)
 - Dependencies with working with others – Waka Kotahi, MoE, local government, on matters such as asset design, ownership, and funding and financing share *[this may need to be deliberated in the subsequent business case for land development]*

Economic Case

- Consider the feasibility, costs, benefits and risks of the proposal
 - Summary of due diligence assessment that informs the economic case and suitability for housing development (eg. legal, geotechnical, zoning and planning, contamination, timeline and risks, bulk and location assessments; compare highest best use valuation and residual value to ensure fair value for purchase; market analysis (incl. recent dwelling sales data), transport assessment, and education assessment)
 - How Kāinga Ora intends to develop the land and the proposed dwelling yield, typology or the mix of housing (public, affordable and market); projected total build in xxx years

- The development options may include off-ramps and staging options that are informed by key decision points that drive costs that drive (eg. choices around supporting any particular transport outcomes);
- Proposed on-selling conditions to ensure policy objectives are met; in particular, cost implications and trade-offs (eg. as result of tenure mix) that may contribute to non-commercial outcomes
- the timeframe over which plan changes and subsequent development might occur
- What are the alternatives - discussion of funding and financing options (eg. IFF, SDPs, and IAF);
- Development costs and risks
 - how is the land use optimised; the potential cost range of development and infrastructure options, and fiscal implications of any non-market outcomes being sought
 - Discuss both fiscal (flushing out impact of project decisions on Crown going forward, eg. PHP delivery and future IRRS commitments), and financial implications for Kāinga Ora
 - identify the planning and consenting risks (e.g. appeals), implications and mitigations

Commercial Case

- Show that the organisation has done the planning required to prepare the proposal for procurement
 - Procurement Plan
 - Contractual arrangements

Financial Case

- Outline funding arrangements and financial implications for the preferred option
 - Project specific financial information from both a Kāinga Ora and Crown perspective: describes the financial implications of the direct land acquisition AND the whole of life commitment for the development and how costs will be recouped (debt recycling)
 - Describe costs for non-commercial outcomes (policy driven losses on sale) to be funded from the operating appropriation; and usage of the \$2 billion borrowing headroom

Management Case

- Show the necessary management arrangements are in place for the successful delivery of the project
- How to ensure delivery of project and benefits, how to manage project risks
 - Project governance and assurance, roles and responsibilities
 - Delivery plan and milestones



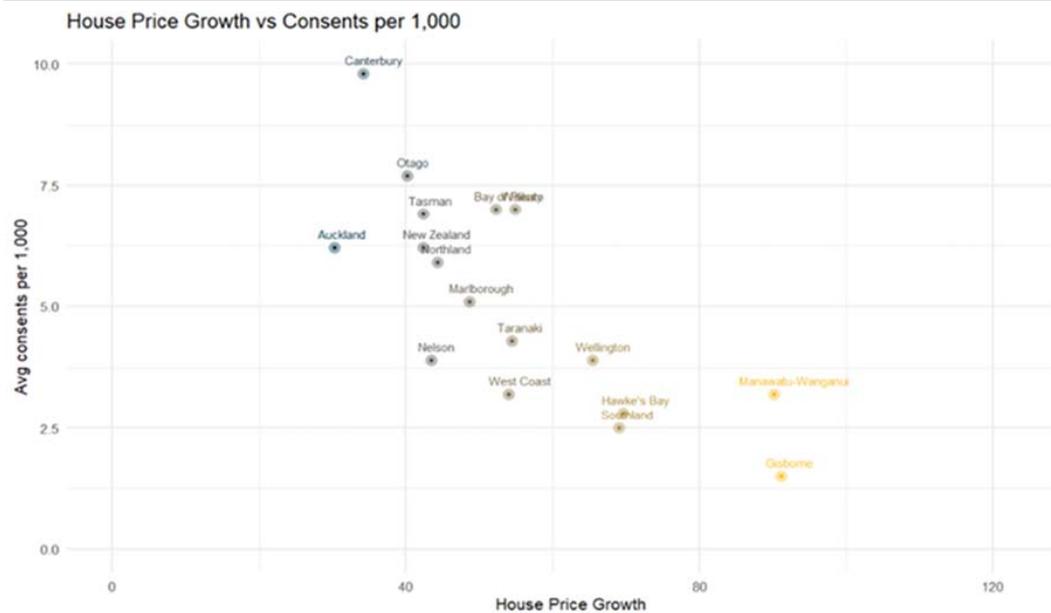
Annex C: Project summary template

Commented [IA48]: We will provide additional comments on this shortly.

Site overview			
location:		Proposed purchase price	
Area (hectares):		Registered valuation (if obtained)	
How will the project increase housing supply and affordability relative to market led development of the site? (provide ranges if uncertain)			
Objective	Metric	Kāinga Ora led development	Market norm/comparator
Housing supply	Total dwelling yield		
	Indicative project timeframe		
Housing affordability	Number and proportion of affordable homes		
Public housing supply	Number and proportion of public homes		
Further details	[insert any further details as appropriate (e.g. density mix, breakdown of affordable housing (e.g. KiwiBuild, market affordable rentals and community affordable rentals)), etc].		
How will the project support the Government's broader urban and wellbeing objectives?			
Objective	Contribution (explain)		
Increasing the supply of build ready land			
Protecting Māori interests and supporting Māori aspirations			
Supporting sector innovation, capacity and capability			
Supporting access to public transport, jobs, education and amenities			

Mitigating and adapting to climate change					
What is the anticipated quantum and/or nature of government funding, financing and support required? (Provide ranges if uncertain)					
Programme specific funding and financing (\$)		Other government funding and financing (\$)		Regulatory tools (tick if applicable)	
Kāinga Ora borrowing for acquisitions		IRRS/OS funding		Compulsory land acquisition	
Kāinga Ora borrowing for development		[Insert others as appropriate]		SDP Powers	
Government funding for interest and holding costs				IFF	
Government funding for non-commercial outcomes				[Insert others as appropriate]	
Partnering and delivery					
[Who are the proposed delivery partners or, if not know, how will they be selected?]					
[How is it anticipated that responsibilities, costs, risks, and rewards will be allocated between the partners?]					
Consultation and engagement (who has been consulted and what have they said?)					
[This should include consultation and engagement with relevant iwi, councils, government agencies, and other key stakeholders as appropriate].					
Other information to be aware of					
[Include any other relevant information Ministers should be aware of [e.g. underlying assumptions, interdependencies, media interest, key risks and mitigations]					
Key					
n/a = not applicable tbc = to be confirmed					

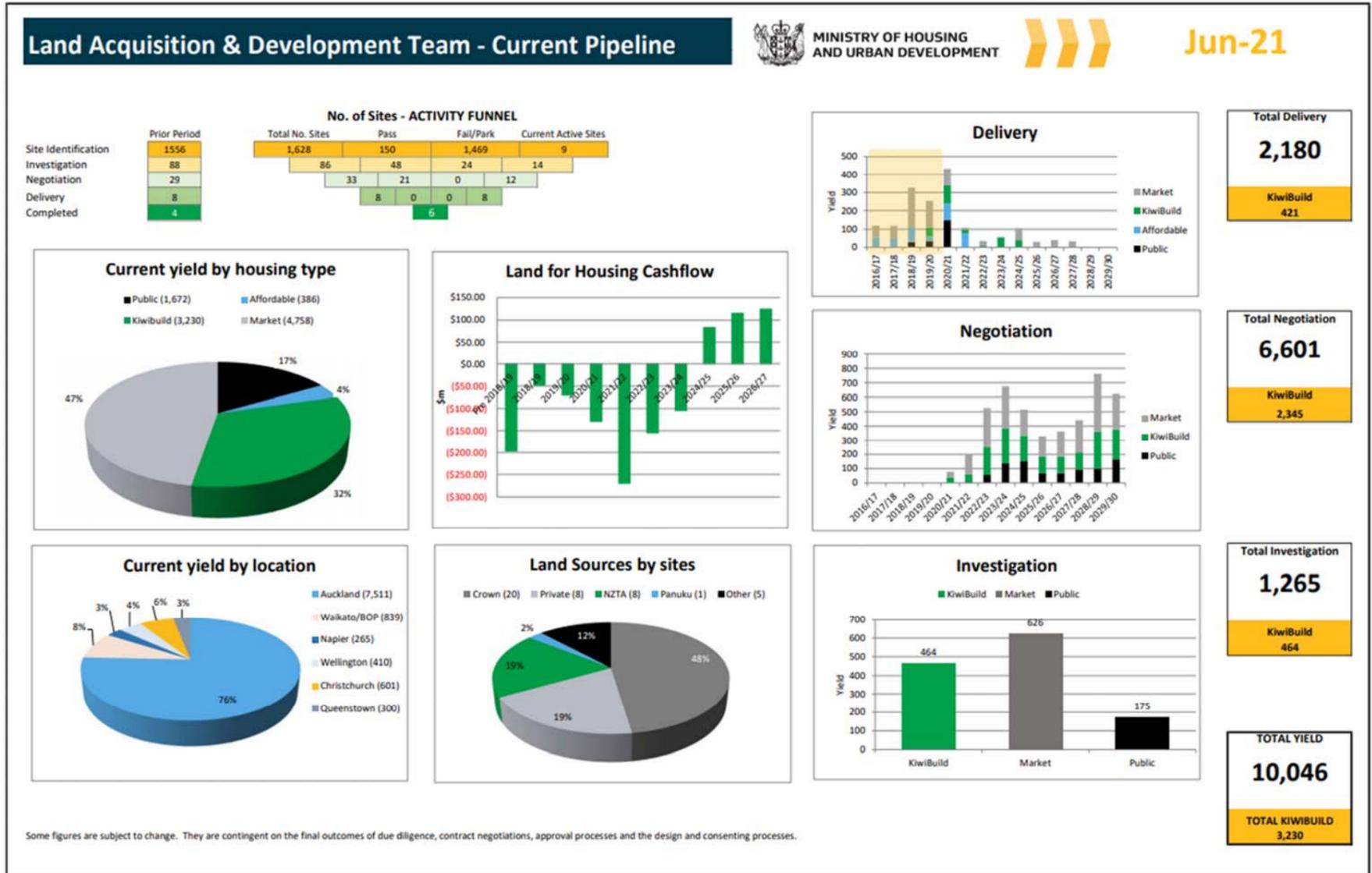
Annex D: Annex D: Dwelling consents per capita versus house price growth



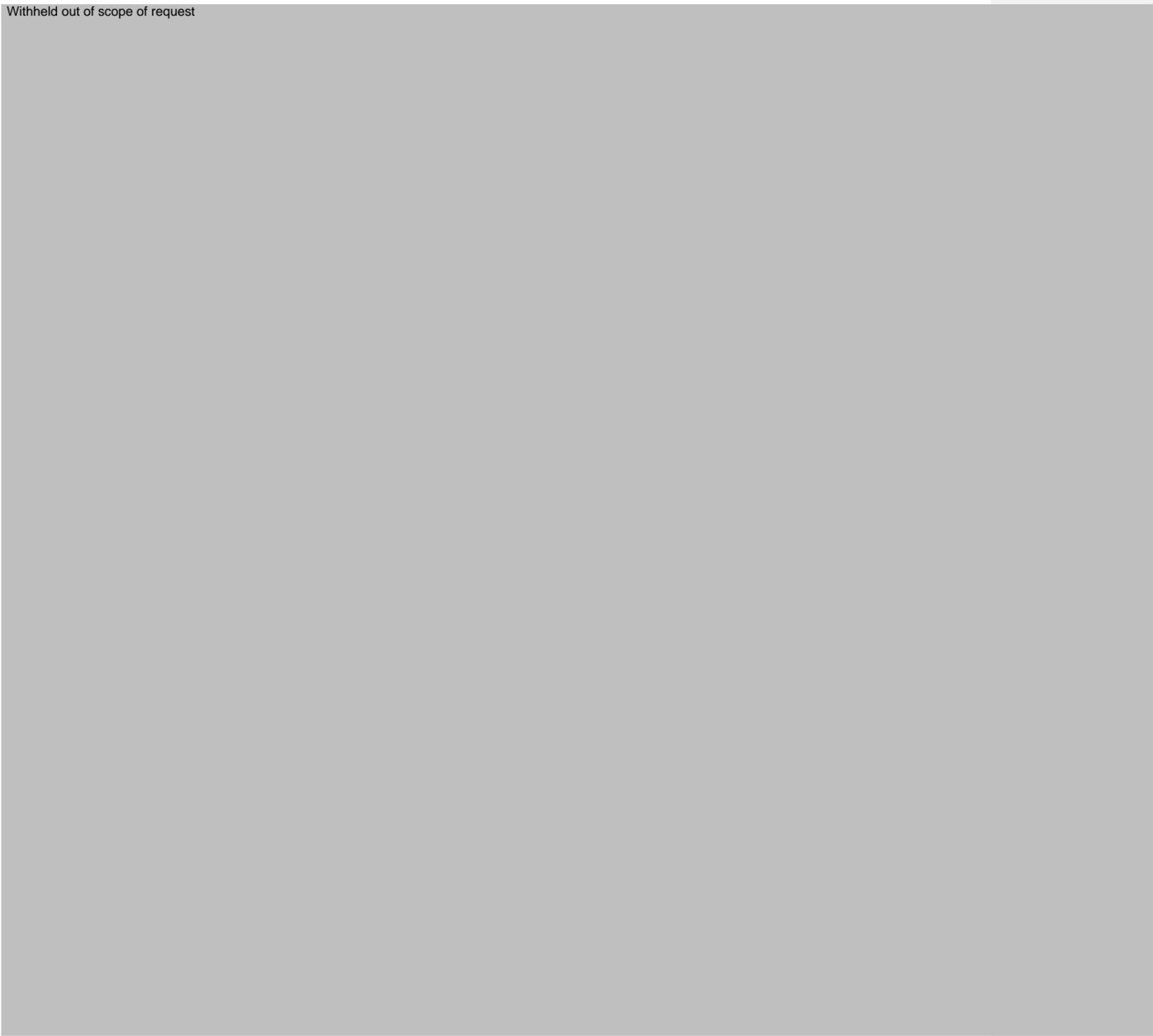
The above graph shows dwelling consents per capita from 2015 to 2018 and then house price growth (REINZ HPI) from 2018 to present.



Annex E: Land for Housing Programme pipeline report



Withheld out of scope of request



From: Bastiaan van der Scheer [TSY]
Sent: Friday, 10 September 2021 10:47 am
To: Robert.Murray@hud.govt.nz
Cc: John Beaglehole [TSY]; Glen Thomson [TSY]
Subject: RE: Draft - KO Land Programme KPIs and reporting

Hi Rob

Glen isn't at work today so asked me to provide any feedback I had on the paper. I haven't stayed across his feedback on the previous draft, so in the footsteps of good bureaucrats everywhere would start by saying I repeat anything he raised that has been left unaddressed between these iterations (e.g. on para 56 or other areas outside my ken).

That said, I think the paper looks good. Thank you for incorporating so much of our feedback to date.

In general, I think the report and letter could be much stronger in respect of seeking plan changes (is this also a UDA power?) to build at a density higher than planning permission will currently allow, in urban areas of high demand or currently unzoned land of high amenity value (the latter only where it can meet the definition of well-functioning under the NPS UD). And not being scared of taking on the council (in a collegial way) when something in the plans is inconsistent with the NPS UD in terms of out of sequence or unplanned, or is otherwise subject to an unnecessary restriction (e.g. the leafy suburbs of Auckland or anything near an urban waterfront).

Mention was also made in previous papers of deliberately breaking up landbanking s9(2)(g)(i) . I'd be keen to see a discussion and reference.

I also remain cautious about KO developing council land given its far wider ability than LfH to shift costs etc around s9(2)(g)(i)

For example, the report says:

"By way of example, Kāinga Ora is currently exploring several opportunities to acquire council owned land where the council cannot afford to develop it, but does not want to sell the land on the open market as this will not achieve the housing outcomes they want."

Why does it need to be sold unencumbered on the 'open market'. The council could put any one of a number of restrictions on the site in different ways, to get the outcomes they want (e.g. as we do under LfH, or under a contract enforced by covenant or a caveat on title, or playing with their zoning powers), thereby paying for the outcome they seek when they sell it into the market. Basically, who's going to pay for the outcomes the councils wants that the market won't provide... Is the problem that the council doesn't want to sell the land for less than it's 'worth' in a market, but at the same time is unwilling to allow the 'market' to realise the value that drives its high price. If it's about working capital alone then wouldn't a loan to local government under the AHF be a much better option with lower risk to the Crown? KO can even avail local government entities of the services of its build partners if that's the problem. Similar to AoG contracts/procurement. In summary I don't think the tires have sufficiently been kicked on options to develop council land, that mean KO should do so with this fund (which is an easy path for both parties).

Cheers,
Bastiaan

Bastiaan van der Scheer | Housing and Urban Growth | **Te Tai Ōhanga – The Treasury**

Tel: s 9(2)(g)(ii) | Bastiaan.vanderScheer@treasury.govt.nz

Please note I work irregular hours, please call me for anything urgent



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From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: Thursday, 9 September 2021 12:14 pm
To: Bastiaan van der Scheer [TSY] <Bastiaan.vanderScheer@treasury.govt.nz>
Subject: FW: Draft - KO Land Programme KPIs and reporting

Keeping you in the loop ...

Ngā mihi,

Glen



Glen Thomson | Principal Advisor – Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Thursday, 9 September 2021 11:58 AM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Cc: Jane Keane <Jane.Keane@hud.govt.nz>; ^Hud: Glenn Phillips <glenn.phillips@hud.govt.nz>; Grace Xu <Grace.Xu@hud.govt.nz>
Subject: FW: Draft - KO Land Programme KPIs and reporting

Hi Glenn,

Thanks again for your helpful feedback on the draft Kāinga Ora Land Programme report back.

As promised, attached is a near final draft. We'd appreciate receiving any further comments by 2pm tomorrow. Also happy to meet again, if that's easier.

Note: at this stage we've limited the discussion about performance measures to some key matters we want to draw to the Chair's attention now. We expect to have further discussions with Kāinga Ora regarding other potential measures and reporting expectations as they develop the draft SPE.

Regards,

Robert Murray

Principal Advisor | Urban Development Regulatory Tools

Place-based Policy and Programmes

robert.murray@hud.govt.nz | Phone: s9(2)(k)

www.hud.govt.nz | Level 7, 7 Waterloo Quay, Wellington



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Wednesday, 15 September 2021 8:56 am
To: Glen Thomson [TSY]
Cc: ^Hud: Glenn Phillips
Subject: RE: Kainga Ora Land Programme report back: revised funding and financing section

Awesome – thanks.

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Sent: Wednesday, 15 September 2021 8:55 AM
To: Robert Murray <Robert.Murray@hud.govt.nz>
Cc: Glenn Phillips <Glenn.Phillips@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme report back: revised funding and financing section

Thanks Rob. The revised wording looks fine to us.

Ngā mihi,

Glen



Glen Thomson

Kaitohu Mātāmua | Kāinga me Whakahou Tāone | Te Tai Ōhanga

Principal Advisor | Housing and Urban Growth | The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>
Sent: Wednesday, 15 September 2021 7:53 AM
To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>
Cc: ^Hud: Glenn Phillips <glenn.phillips@hud.govt.nz>
Subject: RE: Kainga Ora Land Programme report back: revised funding and financing section

Hi Glenn,

Thanks for the feedback. We've updated the text as set out below. Glenn has also discussed the proposed approach with Jayne, who has apparently indicated that she's comfortable with it.

Funding and financing drawdowns and reporting

Debt issuance

1. As part of the development of the Kāinga Ora overarching borrowing programme, an amount will be incorporated to facilitate the purchases within the Programme (i.e. there will not be a dedicated financial instrument solely for the Programme or any individual transaction within it).
2. You have already agreed to Kainga Ora increasing the private borrowing limit by \$1.2 billion (to \$8.3 billion) to finance the next stage of its build programme through to June 2022, including a \$200 million

allowance (out of the \$2 billion Programme total) for initial land purchases under the Programme [HUD briefing BRF20/21040921 refers].

3. Future private borrowing limit increases will also be subject to Joint Ministers' approval, and specify how much of the total borrowing limit increase requested will be used for the Programme alongside the requirements for the broader Kāinga Ora investment programme. We currently expect to approach you for the next private borrowing limit increase towards the end of this calendar year.

Use of the operating funding approved in Budget 2021

4. Budget 2021 agreed an average of \$46 million per annum of operating funding over the life of the Programme, which was incorporated into a multi-year appropriation to cover the first five years of the Programme (reflecting the fact that the actual Programme costs will vary from year to year). In addition to provisioning to cover Kāinga Ora's interest and holdings costs, this includes an allowance averaging \$10 million per annum for Kāinga Ora to secure non-commercial outcomes (most likely through Kāinga Ora writing down land values, where necessary), whilst still ensuring it is able to repay the private debt it raises for the Programme.
5. *Developing a formal funding agreement between the Crown and Kāinga Ora*
6. We propose developing a formal funding agreement between HUD (on behalf of the Crown) and Kāinga Ora to document the process through which Kāinga Ora may access this funding. The design of the proposed drawdown approach (discussed further below) has been guided by the need to balance certainty of funding for Kāinga Ora with appropriate Ministerial oversight and monitoring. The proposed funding agreement will reflect agreed valuation methodology, links to the debt protocol, and the reporting expectations outlined in paragraphs **xx to xx** above. It will also provide for an annual "wash up" to address any unders and overs.
7. More specifically, we propose that:
 - a. **Interest costs are paid quarterly in advance** in accordance with a schedule of costs provided to HUD by Kāinga Ora, reflecting the anticipated interest costs associated with proposed investments.
 - b. **Holding costs are paid quarterly in advance** in accordance with a schedule of holding costs (e.g. rates) for land acquired under the Programme.
 - c. **Land value write-downs are funded when they need to be recognised under the accounting standards.** This will reflect any anticipated losses arising from the realisation of development risks or Kāinga Ora having to on-sell land at a loss in order to secure the Programme objective's (e.g. to support delivery of a higher proportion of more affordable homes), thereby ensuring Kāinga Ora still has sufficient funding available to repay the Programme debt.
8. All investments will be reviewed annually including revised financial projections, both at an individual project and Programme level, and inform any required adjustments to funding in future years. For example, in the event that the actual cash-losses incurred by Kāinga Ora are less than anticipated in the relevant business cases/provisioned for in Kāinga Ora's accounts this will reduce the amount of new operating funding that Kāinga Ora needs to draw down to support subsequent investments.

Regards,

Rob

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>

Sent: Tuesday, 14 September 2021 1:38 PM

To: Robert Murray <Robert.Murray@hud.govt.nz>

Cc: Glenn Phillips <Glenn.Phillips@hud.govt.nz>

Subject: RE: Kainga Ora Land Programme report back: revised funding and financing section

Hi Both,

Given I'm not 100% I asked Alex and Jayne for comments on the finance section, and they had some feedback particularly on paras 11 & 12 of the emailed section.

- They were both quite confused about what the paras were saying and wanted more explanation as to why these particular components were being funded.
- They also questioned why non-cash write down costs were being met from the appropriation intended to fund the holding and interest costs.
- The proposal re non-commercial outcomes appears to have moved from funding cash losses to funding non-cash losses. This is a fundamental change from what has been discussed previously. Cash losses can be determined with significantly more certainty than non-cash losses, and without the complications of differences in accounting treatments. Also, non-cash losses can reverse over time, so don't always properly represent the final position.
- It would also be good to get confirmation that HUD finance have reviewed the section (Glenn is that you?)

Given the above, it would be good to see the section again once it has been amended, and before the paper goes out.

Ngā mihi,

Glen



Glen Thomson

Kaitohu Mātāmua - Principal Advisor | Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: +s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>

Sent: Tuesday, 14 September 2021 10:53 AM

To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>

Cc: ^Hud: Glenn Phillips <glenn.phillips@hud.govt.nz>

Subject: RE: Kainga Ora Land Programme report back: revised funding and financing section

Thanks Glen, I'll discuss with Glennnnnnnn...

Hope you're feeling better soon!

From: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>

Sent: Tuesday, 14 September 2021 10:48 AM

To: Robert Murray <Robert.Murray@hud.govt.nz>

Cc: Glenn Phillips <Glenn.Phillips@hud.govt.nz>

Subject: RE: Kainga Ora Land Programme report back: revised funding and financing section

Hi Rob,

As I mentioned on the phone, I'm off sick today. Hopefully this is a coherent response to your questions. I have a couple of points/questions which are probably both for Glenn.

Will the funding agreement cover only the operating funding – should it also cover the debt component (would make sense given that drives the interest expense)?

s9(2)(g)(i)

Ngā mihi,

Glen



Glen Thomson

Kaitohu Mātāmua - Principal Advisor | Housing and Urban Growth | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: Glen.Thomson@treasury.govt.nz

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From: Robert Murray <Robert.Murray@hud.govt.nz>

Sent: Tuesday, 14 September 2021 10:19 AM

To: Glen Thomson [TSY] <Glen.Thomson@treasury.govt.nz>

Cc: ^Hud: Glenn Phillips <glenn.phillips@hud.govt.nz>

Subject: Kainga Ora Land Programme report back: revised funding and financing section

Hi Glenn,

Further to my voice message, attached is the revised wording for the funding and financing section of the Kāinga Ora Land Programme report back. Can you please advise if you're comfortable with this text?

I'll also put a place-holder in our diaries, in case it's easier to discuss this with Glenn P.

Regards,

Rob

Funding and financing drawdowns and reporting

Debt issuance

1. As part of the development of the Kāinga Ora overarching borrowing programme an amount will be incorporated to facilitate the purchases within the Programme. (i.e. there will not be a dedicated financial instrument solely for the Programme or any individual transaction within it).
2. You have already agreed to Kainga Ora increasing the private borrowing limit by \$1.2 billion (to \$8.3 billion) to finance the next stage of its build programme through to June 2022, including a \$200 million allowance (out of the \$2 billion Programme total) for initial land purchases under the Programme [HUD briefing BRF20/21040921 refers].

3. Future private borrowing limit increases will also be subject to Joint Ministers' approval, and specify how much of the total borrowing limit increase requested will be used for the Programme alongside the requirements for the broader Kāinga Ora investment programme. We currently expect to approach you for the next private borrowing limit increase towards the end of this calendar year.

Use of the operating funding approved in Budget 2021

4. Budget 2021 agreed an average of \$46 million per annum of operating funding over the life of the Programme, which was incorporated into a multi-year appropriation to cover the first five years of the Programme (reflecting the fact that the actual Programme costs will vary from year to year). In addition to provisioning to cover Kāinga Ora's interest and holdings costs, this includes an allowance averaging \$10 million per annum for Kāinga Ora to secure non-commercial outcomes (most likely through Kāinga Ora writing down land values, where necessary), whilst still ensuring it is able to repay the private debt it raises for the Programme.
5. *Developing a formal funding agreement between the Crown and Kāinga Ora*
6. We propose developing a formal funding agreement between HUD (on behalf of the Crown) and Kāinga Ora to document the process through which Kāinga Ora may access this funding. The design of the proposed drawdown approach (discussed further below) has been guided by the need to balance certainty of funding for Kāinga Ora with appropriate Ministerial oversight and monitoring. The proposed funding agreement will reflect the reporting expectations outlined in paragraph 41 above, and incorporate an annual "wash up" to address any unders and overs.

Interest costs associated with Kāinga Ora borrowing for the Programme

7. Given the debt profile of Kāinga Ora is well known in advance, we propose that Kāinga Ora provide HUD with a schedule of interest costs based on its proposed purchases, which HUD will pay quarterly in advance.
8. Where actual investments are significantly lower than the borrowing allowed, the annual wash up process will involve:
 - a. reassessing within the overarching borrowing programme the need for additional borrowing related to the Programme for the next year
 - b. assessing the net interest costs (interest on borrowing less interest on financial assets accumulated) difference to deduct from further interest payments.

Holding costs associated with land acquired by Kāinga Ora for the Programme

9. We propose that Kāinga Ora provide HUD with a forward schedule of holding costs (e.g. rates) for land acquired under the Programme, which HUD will pay quarterly in advance.
10. As part of the year end wash up any material timing differences (purchases made and settled within a quarter and disposal of land within the quarter) will be reviewed

Funding write-downs resulting from non-commercial outcomes and development risks

11. **We propose that the funding associated with non-market outcomes is aligned to recognition of write downs in accordance with accounting standards by Kāinga Ora.** Although this will result in an earlier payment of funding than when Kāinga Ora will require the cash to repay debt it will enable Programme reporting and financial reporting to be aligned reducing reconciliation efforts and the risk of different reported impacts. It will also enable funds to be recycled earlier throughout the life of the programme.
12. Each investment will be subject to an annual update that will include revised financial projections to take into account any changes across the Programme (e.g. expected land values) and specific to the individual investment (e.g. cost to develop land changes or development risks/opportunities eventuate) which will provide information to assess any difference between funding disbursed to date and the total expected write downs across the programme.

Robert Murray

Principal Advisor | Urban Development Regulatory Tools
Place-based Policy and Programmes

Kāinga Ora Land Programme Business case key ingredients

[Note: This is a working document for meeting discussion on 4 August 2021. This attempts to flag essential information for land acquisition and development, which may be different from conventional renewal/development activities. Also note ministerial discussion still in progress on KOLP objectives and underlying expectations. This document will seek to reflect that.]

Strategic Case – making the case for change

- outline a strong narrative (tell the story) of how the proposal fits within the government and organisation's strategic context and strategic intentions. This means both a strategic alignment with the KOLP objectives, and site specifics including:
 - At strategic level, cover the programme level alignment to policy objectives
 - Specific development objectives and link directly to the strategic intent of the Kāinga Ora Land Programme (eg.
 - why this site/location and why this investment;
 - link to transport nodes and amenities, connection to spatial plans, place-based approach, PHPs and other relevant programmes (IFF, etc); the joined up approach to programme
 - What's the stakeholders' inputs into this – eg. discussions with partners in the area, Māori engagement to date or proposed; targeted Māori outcomes sought
 - To what extent are regulatory levers used, such as Ppotential use of UDA powers (SDP, compulsory acquisitions); if used, what are the outcomes these powers will deliver that can not be readily achieved another way (eg. land aggregation, increased pace of development)
- confirm the need for investment – be specific
 - What's the Kāinga Ora value proposition that's different from other developers (eg. overcoming barriers, better housing outcomes-tenure mix, density, volume, pace, affordability and cost implications/direct subsidy that catalyses developments that would not otherwise be commercial)? What happens if KO doesn't do this? What are the other optionalities?
 - What are the direct and indirect benefits of the proposal (the value uplift eg. through land aggregation, re-zoning, overcoming infrastructure and other constraints and non-market transactions)
 - —
- What are the main risks
 - Constraints, dependencies and assumptions (eg. contamination, wetland provision, dependencies with working with others – Waka Kotahi, MoE
 - Dependencies with working with others – Waka Kotahi, MoE, local government, on matters such as asset design, ownership, and funding and financing share [this may need to be deliberated in the subsequent business case for land development]

Economic Case

- Consider the feasibility, costs, benefits and risks of the proposal
 - Summary of due diligence assessment that informs the economic case and suitability for housing development (eg. legal, geotechnical, zoning and planning,

contamination, timeline and risks, bulk and location assessments; compare highest best use valuation and residual value to ensure fair value for purchase; market analysis (incl. recent dwelling sales data), transport assessment, and education assessment)

- How Kāinga Ora intends to develop the land and the proposed dwelling yield, typology or the mix of housing (public, affordable and market); projected total build in xxx years
- The development options may include off-ramps and staging options that are informed by key decision points that drive costs that drive (eg. choices around supporting any particular transport outcomes);
- Proposed on-selling conditions to ensure policy objectives are met; in particular, cost implications and trade-offs (eg. as result of tenure mix) that may contribute to non-commercial outcomes
- the timeframe over which plan changes and subsequent development might occur
- Discussion of fWhy this funding and financing options_ and not others_ (eg. IFF, SDPs)
-
- Development costs and risks
 - how is the land use optimised; the potential cost range of development and infrastructure options, and fiscal implications of any non-market outcomes being sought
 - Discuss both fiscal (flushing out impact of project decisions on Crown going forward, eg. PHP delivery and future IRRS commitments), and financial implications for Kāinga Ora
 - identify the planning and consenting risks (e.g. appeals), implications and mitigations

Commercial Case

- show that the organisation has done the planning required to prepare the proposal for procurement
 - Procurement Plan
 - Contractual arrangements

Financial Case

- Outline funding arrangements and financial implications for the preferred option
 - Project specific financial information from both a Kāinga Ora and Crown perspective: describes the financial implications of the direct land acquisition AND the whole of life commitment for the development and how costs will be recouped (debt recycling)
 - Describe costs for non-commercial outcomes (policy driven losses on sale) to be funded from the operating appropriation; and usage of the \$2 billion borrowing headroom

Management Case

- show the necessary management arrangements are in place for the successful delivery of the project
- how to ensure delivery of project and benefits, how to manage project risks
 - Project governance and assurance, roles and responsibilities
 - Delivery plan and milestones

From: Grace Xu <Grace.Xu@hud.govt.nz>
Sent: Wednesday, 25 August 2021 4:09 pm
To: Glen Thomson [TSY]; Bastiaan van der Scheer [TSY]; Robert Murray; Katie Wellington
Cc: Jane Keane; Kristin Aitken
Subject: Ministers' expectations for KOLP
Attachments: Draft letter from Ministers to KO Chair on the KOLP (prompts for HUD-TSY meeting on 25 Aug).docx

Good afternoon everyone,

Rob's KOLP report back paper had some draft ministerial expectations which KO provided feedback on. Purpose of the meeting is to consider Kāinga Ora feedback, and flesh out ministerial expectation a bit more, so that Rob and I can go away and start building it into the report back. Please find attached a draft Expectations letter as prompt for our discussion, as well as HUD's response on KO's feedback. At the meeting we will discuss:

- What good looks like for KOLP
- Review the draft expectations letter (as prompt for discussion)
- Treasury view on future KOLP strategy

We hope to use the discussions to inform the report back briefing and letter. Thanks all!

[@Katie Wellington](#), fyi to keep you informed of the upcoming discussions.

Ngā mihi

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Draft letter from Ministers on the KOLP [Draft as prompt for HUD/TSY meeting discussion]

Dear Vui,

I am writing to advise you of my expectations in relation to the implementation of the Kāinga Ora Land Programme (the Programme). This will cover alignment with Programme objectives, performance expectations, reporting and assurance, and funding and financing process.

The Kāinga Ora Land Programme

Cabinet agreed to establish the Programme to enable Kāinga Ora to strategically purchase land to increase the pace, scale and mix of housing developments, including more affordable housing. Budget 21 included \$46 million per annum of operating funding for the Programme, which will be used to service \$2 billion of Kāinga Ora borrowing for land acquisitions and development, meet holding costs, allow for development risks, expense any land value write-downs, and provide other targeted support as necessary.

Programme objectives

The Minister of Finance and I have agreed that the Primary objectives of the Programme are to increase the:

- a. supply of build ready land for housing and urban development
- b. pace, scale, density and regional spread of housing development
- c. proportion and range of homes that are affordable for low-to-moderate income households, whether to rent or own.

We have also agreed to the following supporting objectives:

- a. Protecting Māori interests and supporting Māori aspirations
- b. Supporting sector innovation, capacity and capability
- c. Supporting good access to public transport, jobs, education and amenities
- d. Mitigating and adapting to climate change

It is important that the Board have strategy, controls and assurance in place to ensure the Programme is delivering the above objectives.

Giving effect to the policy objectives

As the Programme is new, I encourage the Board to update Kāinga Ora Urban Development Strategy/Direction (and Regional Investment Plans and Area Development Strategies) to capture the Programme objectives, and GPS-HUD expectations (due to be published by 1 October). I would like to highlight the following for you to consider to give effect to the policy objectives: [remove bullet points when finalising below and build into paragraphs]

- a. Avoid directly competing with other purchasers by considering acquiring land through a number of options, including 'on-market' and 'off market' transactions where appropriate
- b. focus on where and how it can best add value, including:

- a. through aggregating land and addressing planning or infrastructure constraints (by its unique land acquisition and development powers where appropriate subject to relevant Ministerial approvals)
- b. prioritising opportunities through the Programme in locations and for cohorts that would not be commercially attractive without government support
- e. reflecting the issues and priorities identified through the urban growth and place-based partnerships (where they exist)
- d. demonstrating genuine partnership with private developers, iwi/Māori, and community organisations, leveraging their skills, experience and resources, and supporting their aspirations, as appropriate
- e. coordinating its investment activities with other central and local government agencies to ensure optimal impact and value for money from a whole of government perspective (e.g. through capturing and reinvesting value uplift from public investment in infrastructure and amenity).

Tracking success for the Programme

The Programme is not about competing with private developers, and replicating what they are already doing. The key measure of success will be the extent to which the Programme facilitates housing delivery that is genuinely additional to and more affordable than, what the market might otherwise have delivered. I expect you to embed this policy intent when implementing the Programme.

I appreciate the lead times may be long for some of the land acquisitions and development, which will mean some level of flexibility and adaptivity needed in identifying what measures are suitable for the SPE, and what measures are suitable for the Board. Ensuring the measures/reporting can be adapted over time is important to capture risks/success and development momentum of the Programme. Please work with HUD to develop suitable performance measures and reporting for the Programme

Expectations relating to the Programme's objectives

I am particularly interested in you considering the following when tracking Programme performance:

- tracking that Kāinga Ora is achieving policy objectives
- Ensuring that land acquired for the Programme can support significant proportions of affordable housing, by considering a proxy target of 40% [or 30-50%] affordable housing enabled at a programme level. This may need to be baselined in the first year, and the target may need to be adjusted to reflect policy intent [to discuss]
- The progress of preparatory works to prepare sites for housing development (e.g. % of projects delivering to project development plan)

The Programme's supporting objectives are broad in nature, and therefore equally relevant to a range of other Kainga Ora Programmes and activities currently measured through the SPE. There is opportunity to further expand on SPE measures, and taking into account the Kāinga Ora Land Programme. In relation to Māori interest and engagement with Māori, I am interested in how:

- the Programme protects Māori interests and supports Māori aspirations, for example, engaging with Maori through place-based engagement activities, and exploring Maori interest as part of the site due diligence process
- Māori are provided opportunities to participate in the developments
- Māori build capacity and capability are supported

Ministerial consultation

I expect to be consulted on investment decisions in accordance with the expectation set in Cabinet Office Circular. CO (19) 6: *Investment Management and Asset Performance in the State Services*. I expect you to provide quality business cases to help inform HUD's advice to me. Critically, Kainga Ora needs to demonstrate how the Programme overcomes barriers to private development, or provide significantly better housing outcomes than through private development.

I would also like to be informed of key programme developments, risks and opportunities under a 'no surprise' approach.

Pipeline reporting and assurance

I expect good quality programme reporting to be provided to me quarterly and more granular reporting to HUD on a monthly basis. Please work with HUD to ensure the reporting is fit for purpose, and has flexibility to adapt to capture a full pipeline as land acquisitions start to build momentum. From the reporting, I'm interested in:

- the development pace, scale, density, tenure and price points
- The geographic spread of land acquisitions beyond main centres
- The progress of preparatory works to prepare sites for housing development (infrastructure uplift)
- other non-commercial outcomes achieved, for example,
 - pipeline certainty for the sector to innovate, lift productivity and ultimately deliver cheaper houses faster
 - increased pace and housing density, alternative ownership and tenure
 - catalysing developments that would not otherwise be commercial
- work with private developers/builders, local iwi and not-for-profit organisations to develop the land
- how non-commercial outcomes are funded and financed

Given a wide range of stakeholder interest in KOLP, I encourage Kāinga Ora to dedicate a section on your website to update on progress of the programme. [This is Grace's view, to drive public accountability and scrutiny, any views?]

Funding and financing

I expect that the Board ensure the Programme and related assets are managed in a financially responsible manner consistent with Government objectives, including:

- [insert info around funding agreement]

KO feedback on the report back paper on 20 Aug

Kia ora Rob,

Please find attached our feedback in relation to this first draft.

I've also set out below some specific comments from our Organisational Planning team (Shelley Vogel's area) below:

KO comments 20 Aug	Grace notes 24 Aug
<p>1. A main point we would like re-iterate is the extremely long lead in times for this activity from the purchase of the land to it being build ready and to set targets on a programme that by its very nature will be dictated by opportunities that are presented to us by the market. Think it would be good for this nature to come through more strongly.</p>	<p>Yes, noted. Just because lead-in time may be long for some land purchase is not the reason not to set measures to track success for the KOLP. It is important that KO works with HUD on developing suitable measures.</p>
<p>2. We are not sure if indicative yields from business cases should become our SPE targets for public accountability – and think our current SPE 4.1 and 4.2 will already have covered the land activity for the number of affordable homes that “would be enabled”. Think we could treat the KO programme as a sub-targets of those – similar to how we treated TRC as a programme level deliverable</p>	<p>No issues including KOLP under existing measures of 4.1 and 4.2, ie.</p> <ul style="list-style-type: none"> - Number of new homes that will be built on land enabled through Kāinga Ora urban development - Affordable homes enabled as a percentage of total market and affordable homes enabled <p>However, that alone would not be adequate because:</p> <ul style="list-style-type: none"> - The numbers of houses enabled would not be featured in this measure in the first few years – the lead in time, resulting in KOLP not being measured - During 21/22 SPE engagement, HUD/TSY already flagged that the current measures under Output Class 4 is inadequate, as it is the only proxy used for urban development delivery. The SPE measures under this class will need significant uplifting, refer HUD SPE briefing: <i>‘Kāinga Ora recognises significant</i>

	<p><i>expectations from key stakeholders (including Ministers from the Letter of Expectations (LoE), the Office of the Auditor-General, HUD and Treasury) to reshape performance metrics to effectively track performance and delivery. In particular, measures providing transparency and accountability on Large Scale Projects (LSPs) performance is critical to better track the progress of infrastructure development, construction and housing enabled. Measures are also needed for partnership, facilitating Specified Development Projects (SDPs), supporting Māori aspirations and strategic land purchases (from Budget 2021). This will be a focus for the next SPE.'</i></p> <ul style="list-style-type: none"> - A critical gap in performance measure (relevant to KOLP and LSPs) is lack of measure for the lead-in period, the master-planning, rezoning, infrastructure investment and value uplifting, the work KO is asked to deliver, is not being measured.
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Key sections from briefing	Feedback	Grace notes 24 Aug
<p>Setting initial performance expectations and measures (page 4)</p> <ol style="list-style-type: none"> 1 You would typically communicate your expectations to Kāinga Ora via the annual letter of expectations. However, given the Programme is being established mid cycle, we recommend that the Minister of Housing writes to the Chair of Kāinga Ora now setting out your expectations in relation to the Programme. We have attached a draft letter at Annex D which reflects the recommendations set out in this briefing. 2 General expectations 3 The key measures of success will be the extent to which the programme delivers housing that is genuinely additional to, and more affordable than, what the market would have delivered on its own. Otherwise, there is a very 	<p>General expectations seem fair. Although given the annual LOE process is just about to kick off as indicated by HUD, it is interesting that the KO land programme has been singled out now to warrant a separate LOE amongst various Ministerial priorities – do we really need a separate LOE?</p> <p>The list of separated pieces of “expectations” what KO has now had to monitor and respond to keeps growing. It is what it is – although do we want to feed this back whether here or in another channel/context I am not sure.</p>	<p>We already responded to his with Shelly and Simon on 16 Aug meeting. Annual LoE should not be the only means to deliver expectations. Other ac hoc communications between Ministers and Chair do happen and this is one of them.</p> <p>This should not be treated as LoE per say. The letter to the Chair intends to flesh out programme specific delivery and expectations as aligned with policy intent, and to ensure key stakeholders on the same page (incl. KO/HUD/Ministers/TSY). In the absence of the letter, we are already seeing varied understanding of the KOLP.</p>

<p>real risk that the Programme will simply compete with, and potentially crowd out, private provision.</p> <p>4 To this end, we propose you reinforce your general expectations that Kainga Ora:</p> <ul style="list-style-type: none"> 4.1 work in genuine partnership with other central and local government agencies, private developers, iwi/Māori, and community organisations, leveraging their skills, experience and resources, and supporting their aspirations, as appropriate 4.2 tailor it's response to the differing housing needs, barriers and opportunities throughout New Zealand 4.3 coordinate its investment activities with other central and local government agencies to secure optimal value for money from a whole of government perspective 4.4 focus on where and how it can best add value, including through use of its unique land acquisition and development powers where appropriate (subject to relevant Ministerial approvals)] 4.5 [focus on off market transactions]. 		<p>A separate letter is in progress on the IAF. This is a practical way to flesh out how KO should give effect to the policy and funding. An annual LoE would not likely to go into same level of detail.</p> <p>More responsibilities certainly come with more expectations. The intention for the KOLP expectations letter is to reflect key policy intent from Cabinet approval, to help KO give effect to policy. It's not 'new' expectations per say. Note that the wording in the briefing is very drafty and will need to be further iterated.</p>
<p>Expectations relating to the Programme's primary objectives</p> <p>5 The long lead times associated with property acquisition and development mean few, if any, homes will be completed within the first 18 to 24 months of the Programme. We therefore propose that HUD work with Kāinga Ora to develop Programme specific measures that are focussed on the leading indicators of housing supply and affordability in the first instance.</p>	<p>Good they are clear on long lead in times. Could we request for re-emphasizing in their briefing please.</p>	<p>Noted.</p>

<p>6 Under the Crown entity framework, it is Kāinga Ora's Board that is ultimately responsible for proposing specific measures and targets to you within the context of developing its draft SPE 2022/23. However, we propose you signal your particular interest in Kāinga Ora developing performance measures and/or reporting relating to:</p> <p>a) The number of homes that could be delivered on land acquired for the Programme. Focussing on housing yield, rather than the number or size of sites acquired, would provide an incentive for Kāinga Ora to target sites that offer the potential to optimise housing densities</p> <p>b) The geographic spread of land acquisitions beyond main centres. On a per capita basis, some of the most acute housing supply and affordability pressures are being felt beyond the major centres of Auckland and Christchurch where Kāinga Ora already owns significant land holdings, and the private market is already relatively active. This is illustrated by the graph attached as Annex E</p> <p>c) The progress of preparatory works to prepare sites for housing development. This could, for example, include measures relating to the planning/consenting process, land remediation and infrastructures provision</p>	<p>a. This is ok to track but we're not sure how we would set an appropriate SPE target – and in fact to set a target may lead to perverse outcomes? Essentially their proposed (a) and (d) have been reflected in SPE 4.1 and 4.2 albeit needing more visibility for KO land programme as a sub-target (similar to how we treat TRC this year as a component as part of a org-level target) – in that we already count the affordable homes “would be enabled” for land delivered. What is the point of counting the number of homes that “could be delivered” in public accountability when it is almost certain that the actual number of being delivered will be different from the initial estimation?</p> <p>b. Once again – fine to track but we're not comfortable with setting specific SPE targets for this. In a large part depend on opportunities. Alternatively could we look at the level of proactive investigation by KO to prospect land opportunities in the regions? Need to discuss further.</p> <p>c. Again we think this will be tricky – you could look at some form of timeliness measure from time of purchase to ready to build – but this will be spread over 1-3 years we would have thought.</p>	<p>a. We clarified this point with Shelley at 16 Aug meeting and would re-illiterate here: You made the assumption this is a SPE measure, whereas our briefing language is along the line of 'your particular interest in Kāinga Ora <u>developing performance measures and/or reporting</u>'. HUD does not have the view that all measures should be SPE measures. Some may be, some may be measures/reporting for Board/HUD/Ministers. HUD is keen to work through with KO through the accountability reporting work. We could add some qualifying texts in the letter to make the point clearer.</p> <p>Refer to comments above re: 4.1 and 4.2, ok with suggestion but more is needed.</p> <p>b. We did not imagine this would be an SPE target in early years, certainly would go through reporting. Keen to discuss further.</p> <p>c. This is key to HUD's feedback on 21/22 SPE, that there has been no measure to track progress of what KO has been asked to do. We can remove the details here, but the intent is to not prescribe measures, but HUD/KO will work together during SPE rounds to ensure new measures developed are address the missing land enabling works.</p>
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<p>d) Ensuring that land acquired for the Programme can support significant proportions of affordable housing aligned with need. This will require careful site selection (based on feasibility analysis), and judicious use of the \$10 million per annum set aside to support non-commercial outcomes. While different in nature, we note that the Land for Housing Programme has been able to [secure] approximately 17 percent public housing and 36 percent KiwiBuild/affordable housing across its developments to date.</p>	<p>d. Again – this will be tricky – when do we count the split of affordable housing – at the time of purchase based on indicative business case? Or at the time of land enabled – Which we do currently measure under SPE 4.2.</p>	<p>d. Agree SPE 4.2 would capture this. Will check on 40% affordable target.</p>
<p>Entity level measures and targets relating to the Programme’s supporting objectives</p> <p>7 You have agreed that the Programme’s supporting objectives are:</p> <ul style="list-style-type: none"> 7.1 Protecting Māori interest and supporting Maori aspirations 7.2 Mitigating and adapting to climate change 7.3 Supporting good access to jobs, education and amenities 7.4 supporting sector innovation, capacity and capability. <p>8 These supporting objectives are generic in nature, and equally relevant to many of Kāinga Ora’s other housing and urban development activities. Kāinga Ora’s 2021/22 SPE already contains a number of measures relating to supporting objectives a, b and c above.^[1] When reviewing the 2021/22 SPE, you indicated that you would like to see further measures developed for inclusion in the 2022/23 SPE including measures relating to the quality and effectiveness of partnerships and engagement, urban development activities and outcomes over time, environmental sustainability activities, and supporting Māori</p>	<p>This is ok but we would need to consider if the generic measures would capture the land programme activity, which their draft LOE in Annex said it “I expect Kāinga Ora to how these measures can be expended on for the 2022/23 SPE, including to take account of the Kāinga Ora Land Programme”</p>	<p>KO is already developing measures at organisational level should future ones should capture these.</p>

^[1] **[insert examples]**

<p>interests. The statutory deadline for Kāinga Ora to provide you with their draft SPE, is 30 April 2022.</p> <p>9 We propose that you use the letter attached at Annex D to reinforce your SPE feedback in light of the Kāinga Ora Land Programme. HUD will also engage with you on the next annual draft Letter of Expectations by early 2022. This could set further expectations based on what has been learned through early reporting.</p>		
<p>Pipe Line report (page</p> <p>10. The Kāinga Ora Land Programme is one of several new and pre-existing Government initiatives focussed on increasing the supply of build ready land and facilitating delivering of a mix of public, affordable and market priced homes. This includes the Land for Housing Programme, which utilises an established pipeline reporting dashboard (attached at Annex C).</p> <p>11. For coherence, we propose you set an expectation that Kāinga Ora develop a similar reporting dashboard for the Programme showing, among other things:</p> <ol style="list-style-type: none"> 1. The number of projects at each stage of the land acquisition and development pipeline (identification, investigation, negotiation, delivery, completed) 2. The current and projected housing mix (public, KiwiBuild, other affordable, and open market) 3. The geographic spread of housing delivery 4. Current and projected Programme costs and revenues 5. The average price paid for land relative to the average registered valuation (a proxy for write-down risk/whether the Programme is crowding out private developers). <p>12. Given it will take time to build the project pipeline, we propose that these pipeline reports are provided to HUD on a monthly basis in the first instance (including to inform Vote</p>	<p>As per the feedback we have provided HUD– it is going to be some time before we have a pipeline of land purchases that will enable us to produce this style of reporting – they do indicate this – but we would like the expectations toned down on this.</p>	<p>Rob to consider.</p>

<p>administration), with highlights being provided to Ministers via Kāinga Ora's quarterly report.</p> <p>13. Consistent with the no surprises approach, Kāinga Ora will also keep you informed of any material or significant events, transactions and other issues relating to the Programme that may be contentious or could attract public interest, whether positive or negative. This includes any material delays, cost overruns and reputational or legal risks.</p>		
<p><i>Draft Letter of Expectations relating to Land Programme</i></p> <p><i>Specific expectation relating to the Programme's primary objectives</i></p> <p>I am conscious that the long lead times associated with housing and urban development mean it is likely that few, if any, houses will be completed in the first 18 to 24 months of the Programme. In light of this, I expect Kāinga to develop leading measures and/or reporting arrangements, for inclusion the SPE 2022/23, to demonstrate whether Kāinga Ora is on a clear pathway to delivering against the Programme's primary objectives.</p> <p>I am particularly interested in Kāinga Ora exploring potential measures and/or reporting relating to:</p> <ul style="list-style-type: none"> • The number of homes that could be delivered on land acquired for the Programme • The geographic spread of land acquisitions beyond main centres • The progress of preparatory works to prepare sites for housing development • Ensuring that land acquired for the Programme can support significant proportions of affordable housing aligned with need. 	<p>As per comments above.</p>	

Measures relating to the Programme's supporting objectives

The Programme's supporting objectives are generic in nature, and therefore equally relevant to a range of other Kainga Ora Programmes and activities.

Kainga Ora's SPE 2021/22 already contains measures relating to most of these supporting objectives. I expect Kāinga Ora to how these measures can be expended on for the 2022/23 SPE, including to take account of the Kāinga Ora Land Programme