
An Urban Development Agency for Wellington City

SUPPORTING DOCUMENT FOR THE DRAFT ANNUAL PLAN 2016/17

Have your say 29 March-29 April



CSW/CCL/00/0196

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Introduction

Wellington City Council (Council) is seeking community views on a proposal to form an Urban Development Agency for Wellington. The Urban Development Agency would play an active role in the Wellington property and development market to help achieve Council's urban development goals for the city.

Council is obtaining feedback on a draft proposal for an Urban Development Agency through the 2016/17 Draft Annual Plan submission process. Once feedback has been received Council will consider the feedback and make a decision whether to progress the proposal and establish an Urban Development Agency.

Urban Development Agencies take various shapes and forms around the world so a proposal specific to Wellington has been developed in sufficient detail to help submitters understand what the Urban Development Agency might do in Wellington and enable meaningful feedback to be obtained.

This consultation document outlines why an Urban Development Agency is being considered for Wellington, what it would do, the likely benefits, the risks, and how it would be structured.

The issue

Wellington City is physically constrained – hemmed between the harbour and the hills and lacking flat land for expansion. While this makes for a compact and highly liveable city, the city’s inability to grow outward raises unique challenges and increases the stakes when readily developable land does become available.

Redevelopment in existing urban areas of Wellington currently represents the majority of development activity in the city, but is also often complicated by legacy issues such as land fragmentation and lack of infrastructure capacity, and development opportunities are diminishing. This is particularly the case in established suburbs and “brownfield” areas.

With Wellington’s steep topography readily developable “greenfield” land has also always been in short supply and current estimates are that the last remaining greenfield land which is zoned for development (in the Churton Park and Grenada area) will be fully developed in about 20 years based on historic growth rates. Considering our population growth has accelerated in recent years – if this continues – available “greenfield” land may only last as little as ten years.

In 2015 Council adopted the Wellington Urban Growth Plan (Transport and Urban Development Strategy) which sets out a long-term vision for the growth and development of the city. The Wellington Urban Growth Plan combines and supersedes Council’s 2006 Transport and Urban Development Strategies, though many of the directions in those documents have been reconfirmed. It also aligns with Council’s economic development priorities and projects.

Ten years of experience with stable transport and urban development policy settings has been beneficial but some of the desired outcomes – for example regeneration of Adelaide Road and medium density housing in Kilbirnie – have not occurred.

In this time Council has made some strategic investments to support its strategies such as town centre and infrastructure upgrades, and has undertaken significant improvements to the District Plan, but overall has taken a relatively passive, regulatory role and waited for the market to respond. There have been some significant successes, notably the proliferation of apartment development in the central city, but in many other areas the market response has been lukewarm or non-existent. This has particularly been the case in areas where Council has hoped to catalyse significant change or “urban regeneration”.

It is now recognised that delivering on Council’s urban development and economic priorities in a timely fashion requires Council to be a more active player in the property and development market and to facilitate stronger partnerships with the development industry. Many of the barriers to delivery relate to localised property constraints and market stigma which can be resolved through Council intervention such as land assembly and master-planning.

Public sector intervention in the land and property market creates the opportunity to consolidate and assemble land, and to make better use of strategic sites when they do become available. Put simply, without direct intervention many of the projects and outcomes set out in Council’s urban growth plan are unlikely to be realised. A dedicated function which better responds to (and proactively identifies) partnership opportunities would assist in bringing land to market and delivering the outcomes and projects set out in the Wellington Urban Growth Plan.

However, intervention should seek to leave as light a footprint as possible based on the principle of “bridging the gap to the market and no more”. This would be achieved by acting in partnership with the private sector to harness its abilities rather than compete against it.

Breakout box

Urban Development Agencies – an overview

- *UDAs are a proven tool for facilitating urban regeneration.*
- *UDAs use public-sector tools and finances to attract private investment where otherwise there is market failure.*
- *Usually this is done in a planned way (i.e. with masterplans or development design briefs) to maximise benefits to the community.*
- *Benefits can be measured financially (i.e. public profit) or in terms of social and economic outcomes.*
- *Successful UDAs intervene strategically and attract several dollars in private investment for every dollar spent.*

The opportunity

By taking a more active role in city property and development activities there is an opportunity for Council to:

- purchase and assemble land to unlock development constraints and increase the supply of developable land in strategic locations;
- actively support delivery of projects which catalyse change and demonstrate the benefits of innovative development (e.g. compact housing, green buildings); and
- partner with private companies to deliver projects which align with the city vision (e.g. major facilities, remediation of earthquake prone buildings).

These actions would:

- ensure the city makes better use of the limited land it has
- support the intensification and regeneration of the city in-line with the Wellington Urban Growth Plan
- bring more development opportunities onto the market
- support the delivery of major Council-led projects.

The formation of an Urban Development Agency would provide the city with a key tool to assemble land in the right places and co-ordinate the activities of Council and others to deliver critical projects and continue investing in Wellington.

The proposal in a snapshot

It is proposed to form an Urban Development Agency of Council. It would be a council-controlled organisation (CCO) with a mandate to purchase and assemble land, partner with developers, deliver projects which fit with Council's vision set out in the Wellington Urban Growth Plan, and liaise with Council's internal business units to align its activities with Council's policy settings and capital works programme.

What it would deliver

The primary purpose of the Urban Development Agency would be to unlock development potential in the city by removing barriers to development (through land assembly and master-planning) where that will enable Council objectives on urban renewal, housing delivery and affordability, and economic development. The type of activities it would undertake includes:

1. *Lead and co-ordinate the regeneration of strategic precincts* – assembles and prepares land for development, procures private partners and undertakes other co-ordinating actions to deliver broad scale urban regeneration in key parts of the City.
2. *Increase supply of affordable housing* – support delivery of new medium density and affordable housing in strategic locations (e.g. around suburban shopping centres).
3. *Deliver large-scale Council development projects* – deliver Council development projects above a specified value threshold that would otherwise be delivered from in-house.
4. *Catalyse the market through demonstration projects* – conceptualise and lead delivery of demonstration projects to catalyse the market in support of Council objectives (quality medium density housing, high quality urban design, green buildings).
5. *Optimise development outcomes on strategic sites* – intervene and take a leadership role in strategic areas where earthquake prone building issues are preventing a timely market response.

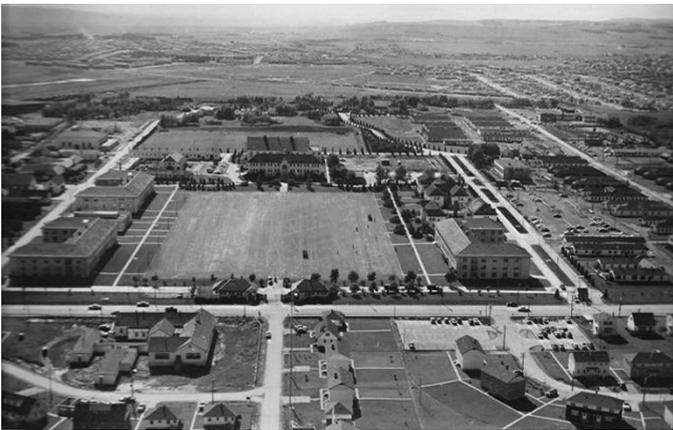
Setting aside some local variations these activities reflect those of urban development agencies in the United Kingdom, Canada and Australia, as well as those performed by Auckland Council's urban development agency *Panuku Development*

Auckland and those proposed for Christchurch's recently formed *Regenerate Christchurch*.

Case studies

Currie Barracks

- *Calgary, Alberta, Canada*
- *Transformation of former WW2 military training base into contemporary urban village*
- *Development co-ordinated by UDA and based on principles of smart growth and sustainable community design*
- *Upon completion will have 5,700 dwellings, 20,000m² retail space and 60,000m² office space*



Melbourne Docklands

- *International profile as successful urban regeneration site*
- *By 1990s 150ha area of underutilised land and buildings*
- *Victorian state government formed a UDA to co-ordinate redevelopment and promote economic growth*
- *UDA purchased land, co-ordinating infrastructure delivery and procuring development partners*
- *Project is ongoing but has attracted \$10 billion in private investment – forecast \$17 billion by completion in 2025*
- *Mixed use development – 10,000 residents and 53,000 jobs, major head offices (e.g. ANZ Bank), international stadium, high quality public spaces*



Funding options

Over time it is expected that the Urban Development Agency's activities will become self-funding so that direct, ongoing Council funding is not required. However, in the initial stages operational funding and seed funding from Council will be required to support its activities and build its operations to a stage where it can be self-funding.

It is proposed that funding be built up over the first three years of operation to align with the staged build up in the scale of projects delivered by the Urban Development Agency, with smaller scale projects being undertaken first to allow the Urban Development Agency to demonstrate its capability and build a track record for the benefit of key stakeholders (including Council itself and the private development sector).

Options on how the Urban Development Agency could be funded will be explored in detail over the coming six to twelve months, and these will be considered as part of the 2017/18 draft annual plan process.

The potential to operate regionally

The Urban Development Agency's primary focus would be to assist Council to deliver its objectives as set out in Wellington Urban Growth Plan and therefore its activities would occur within Wellington City and be fully funded by Council. However, it could be established so that other local authorities could contract its services to deliver and facilitate development projects outside the city.

Relationship with Council business units

The Urban Development Agency would be a development facilitation and delivery agency and internal Council business units (other than its development unit) would not be affected by its formation. The Urban Development Agency would not have infrastructure delivery, policy making or regulatory roles - these would continue to be performed by internal Council business units.

The proposed structure

Council's current urban development structure allows it to perform its policy making and regulatory functions well but would benefit from a better resourced, arms' length function with a strong delivery (development) focus.

This would assist in catalysing change and ensuring strategic development opportunities in the city are maximised.

It is proposed that the Urban Development Agency be set up as a Council Controlled Organisation. This would provide the right mix of operational efficiency, focused leadership and direction, and accountability to residents and ratepayers. It would be fully owned (100%) by, and be accountable to Council.

The benefits of an arms-length entity

Consideration has been given to delivering a development function from within Council's existing structure, but a Council Controlled Organisation offers the following distinct advantages:

- a) *Dedicated delivery focus* – by operating separately from other Council functions a CCO can focus on delivery actions separately from the broader policy directions of Council. This is especially beneficial in terms of the ability to move quickly and confidentially in a commercial environment.
- b) *Remove potential for conflicts of interest* – the urban development agency will be a significant development agent and advocate and these roles need to be kept separate from Council's policy making and regulatory functions to avoid actual and perceived conflicts of interest.
- c) *Attract the right talent* – an arm's length entity with a clear commercial focus will be attractive to the type of people the urban development agency would need to succeed in its objectives. Such skills are essential to making sure urban development agency delivers outcomes which represent value for money to ratepayers.
- d) *Ability to make decisions quickly* - the success of the urban development agency will hinge on its ability to gain the confidence of the private development sector and procure suitable development partners. To gain and maintain the interest of these partners the urban development agency will need to be able to enter into secure commercial arrangements quickly. A CCO structure with delegated authority to enter into such arrangements (within specified parameters and value thresholds set by Council) would be beneficial in this regard.
- e) *Better use of resources* – establishing an arms' length entity with a clear focus on these type of activities will enable Council to have a greater impact on

urban development outcomes in the city and receive a stronger return on its own investment.

Political oversight of the agency

The Urban Development Agency is a delivery vehicle – it would exist simply to deliver on the objectives, projects and policy settings agreed by Council. Political oversight of the agency would be provided by Council or one of its committees eg. the Transport and Urban Development Committee. Council would approve the Urban Development Agency's constitution, its statement of intent (work programme and budget), and would monitor performance against agreed targets through quarterly and annual reports.

Overall Council would have the following functions in terms of overseeing the Urban Development Agency:

- a. Monitor the performance of the Urban Development Agency and its board
- b. Provide governance oversight of the Urban Development Agency
- c. Set the strategic outcomes for urban development
- d. Review and agree the strategies for achieving the desired outcomes
- e. Approve the Urban Development Agency's annual statement of intent (projects and budget), and three year business plan
- f. Respond to changes and market trends and consider modifications of the desired outcomes
- g. Appointment and review of the Urban Development Agency's directors.

Board of directors

The Urban Development Agency's operations would be overseen by a board of independent directors, appointed for their specific commercial expertise and other relevant experience. It will be important that the board's skill set reflects the agency's core areas of activity.

There is proposed to be six directors, appointed on merit and with relevant skill sets.

The Urban Development Agency would be an active participant in the Wellington property and development market and as such it will be subject to particular commercial and legal risks. It is therefore important that board members have skill sets specific to those risks. The six member board should have at least one member with experience in each of the following areas: commercial property or property

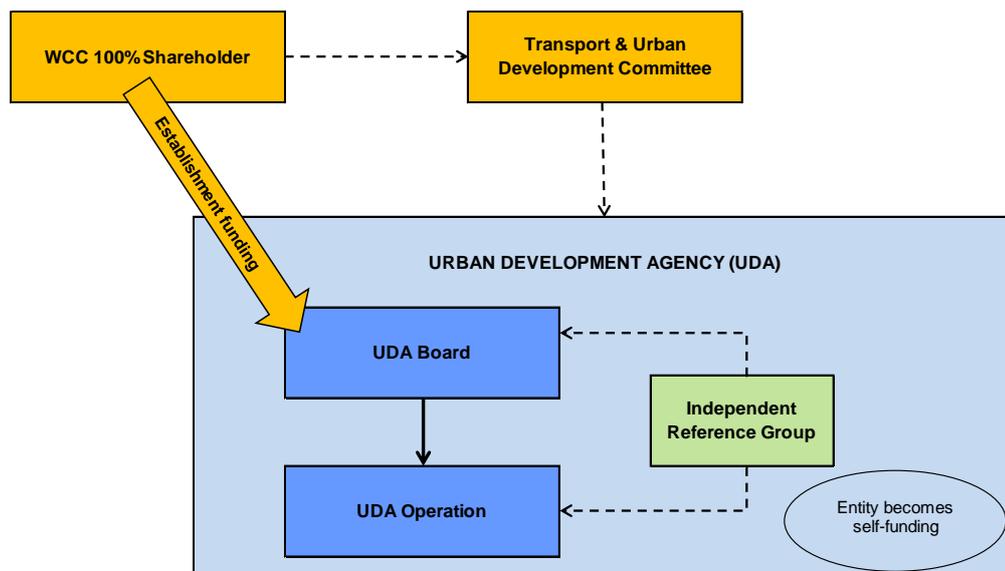
development; property or commercial law; banking, finance or accounting; urban design or architecture; town planning / resource management; and local government.

Directors will need significant business and commercial acumen and experience, along with a good understanding of corporate governance. Selection of board members would need to carefully consider candidates with local interests to ensure they do not have conflicts of interest.

Independent Review Group

It is also proposed that the Urban Development Agency have access to an Independent Review Group (IRG) with a technical focus. The IRG would be made up of reputable professionals and independently test aspects of projects. The IRG model is widely used in the field of urban design but it is proposed that the UDA's IRG have a wider collective skill set that can be drawn upon as required, including: urban design or architecture; landscape architecture; town planning / resource management; civil engineering; and traffic engineering.

Proposed UDA Structure



Make a submission

You can make a submission by:

Email: BUSAnnualPlan@wcc.govt.nz

Online: <http://wellington.govt.nz/have-your-say/consultations>

Post: Wellington City Council, 101 Wakefield Street, Wellington (attention Neil McInnes)

Feedback is invited by 29 April 2016

More information

For more detailed information on this proposal please visit the website Wellington.govt.nz/have-your-say/consultations

Key questions

Do you think Council should establish an Urban Development Agency to undertake the following functions in the City:

- *Lead and co-ordinate the physical regeneration of strategic parts of the city?*
- *Parcel land together and increase the supply of affordable housing?*
- *Deliver large-scale Council development and growth projects?*
- *Demonstrate good practice in housing development, urban design and sustainability?*
- *Take a leadership role in areas where earthquake prone building issues are preventing a timely market response?*

