Introduction

The following presentation details the findings of 10 case studies of intensive urban residential development, undertaken on behalf of the Department of Building and Housing (DBH) to inform a private sector led taskforce, who in turn were providing advice to Cabinet.

Overall objective = to identify factors which promote or hinder intensive urban developments.

DBH were interested in both gaining a better understanding of the urban development process for medium intensity developments and learning about the business model used by developers. We developed a questionnaire to reflect research objectives and establish the business decision model.

Case Studies

10 case studies were selected, representing a diverse spectrum of medium intensity development within New Zealand as follows. (The focus broadened to include some mixed-use as well as residential, and also two case studies from outside Auckland):

1. Addison, greenfields development in Takanini, Auckland
2. Kensington Park, greenfields development in Orewa, Auckland
3. Talbot Park, renewal of state housing in Glen Innes, Auckland
4. Stonefields, brownfield development in Mt Wellington Quarry, Auckland
5. Q City, Q Central and the Quandrant, residential apartments in Auckland city
6. Milford shopping centre development, Milford, Auckland
7. Wynyard Quarter, planning for a major brownfield precinct, Auckland waterfront
8. Carlaw Park, mixed-use precinct, Parnell, Auckland
9. Redevelopment of the old Department of Conservation Building, Boulcott St, Wellington
10. South of Lichfield, Christchurch

The lead developer from each case study was interviewed. Interviews were undertaken at time of downturn in development sector. This enabled reflection on business and financial models. One of the findings of our research was that the business model tends to be implicit. As many of the developers came from a background in commercial property, they would apply a commercial development model to residential development. Financial models were largely debt-driven, with the exception of the Wellington Company and HNZC and therefore suffered greatly through the economic downturn.

The interviews gave some insight into the different markets developers operate in within New Zealand’s three main cities.

Addison
- 1500 household units, average of 18/ha over whole site, but 20/ha on part built to date
- Master-planned community
- Driven by ARGS. Opportunity to aggregate significant flat land holding within identified growth area and possible TOD
- Required plan change and subsequent consents. Consented in chunks
- Target market rose with property values
- Successful as a place and adds value to area
- Negatives – rail station location, lack of continuity of Council officers

Kensington Park
- Greenfields development of former campground. 800 units on 15 ha.
- Major project for Kensington Properties. Taken on simultaneously Huka Falls.
- Target market well defined. Lock and leave. Marketing successful
- RDC adopted a case manager approach.
- Up front cost too great. Financial model failed
- Project now proceeding with different developer

Talbot Park
- Different model – community renewal project. 100% state ownership
- Flagship project for Tamaki Community Renewal and text for ACC Res 8 zone (high density)
- Vision – making Talbot Park a better place to live
- Built up good partnership between HNZC, ACC, tenants and community
- Cost effective – delivered on budget and generally on time
- Engineering design standards problematic
- Better outcome if mixed tenure
Stonefields
- 2,900 units on 110ha. Average lot size 380sqm
- Redevelopment of Mt Wellington quarry – ideal TOD location (although reality most use cars)
- Holding costs/costs of finance – land cost “lost in the mists of time”. Timeframes too long to ensure good return
- Strategic relationship with ACC good although problems with consistency in staff and engineering standards

Q Central and Q City
- Affordable inner city accommodation (500+ units)
- Required high pre-sales - fine in that environment, however not viable any more.
- Affects ability to influence project over time

Milford (JMK)
- Intensification of existing shopping mall site to include residential (265 units)
- Support from ARGs and Council Officers
- Disjunct with process
- Culture – Political/Professional neighbours councillors

Wynyard Quarter
- Least advanced at time of writing
- Mixed use – 25 hectares brownfield redevelopment former Ports land in Auckland City
- Opportunity to open up waterfront
- Plan change process – staged development. Time consuming
- Retention of public ownership: closest to Urban Development Agency model
- Issues with UDA model in NZ

Carlaw Park
- Mixed use development in Parnell Auckland
- Includes quest apartments and a retirement village as well as 10,000sqm of offices
- Greater demand for commercial space than apartments therefore residential component largely abandoned
- In a different market retirement village would have been high end residential
- High quality – developer built to own

Wellington Company
- Company led renaissance of inner Wellington city
- Conversion of existing abandoned office building to apartments as created brand new offices for DoC
- Own building and rent to students
- Know market

SOL, Christchurch
- Mixed use – based on laneways
- Critical mass – transforming a place
- Fussy about tenants – bar/café
- “No problem with consents” - i.e. tends to ignore constraints

Conclusions

The Issues
- Difficult to aggregate large sites of appropriately zoned land therefore plan changes were required for large greenfields and brownfields developments
- Location not based on identified growth areas or best location for intensification, but rather where consents are easiest to achieve
- Access to highly debt-driven finance no longer available, therefore no longer viable
- Low cost development model adopted by Wellington Company was most successful, but not necessarily applicable or scalable to large masterplanned developments
- Poor or non-existent infrastructure that proposed development then expected to meet
- Timing and burden of development contribution seen as disincentive to more innovative intensive development.
- High costs up front and lack of understanding by financial institutions
- Most significant issue seen as extended timeframes required for completion, often due to planning processes. Long timeframes lead to increased costs and decreased certainty of both consents and ultimately sale
- NIMBY – not seen as a huge issue
- Consistency and attitude of Council staff. Also an education of staff for these more complex projects
- Shortage of project managers experienced with larger scale and more complex urban development projects

Enablers
Few identified for intensive urban residential development projects
- Regional desire of intensification in urban areas (particularly in Auckland, but also other cities). However, still lack of promotion of this in on the ground opportunities
- A proactive supportive council
- A process to identify and aggregate residentially zoned land

Draft Recommendations

Consenting Processes - certainty:
  » Trigger for notification
  » Case manager
  » Comprehensive Development Plans
  » MfE call-in. Consenting Processes - certainty:
    »

RMA methodology - templates:
  » Carparking rules, CDPs
  » Development contributions
  » Regional initiation of plan changes and hearings

RMA philosophy
  » National policy statements
  » LG(A)AA04

Urban Development Agencies
  » Aggregation of land
  » Public good component
» Transformation of Value

» Public Works Act

» Private / public partnerships

Financial reforms/support

» Staged development contributions

» Credit for positive impacts

» Market education

» Development finance institution

» Regulation of finance companies

Infrastructure integration

» RMA support

» Common budget centre

» Regional Council control
Who We spoke to

Addison
  Martin Udale, McConnell Property and
  Ian Craig and Philip Comer, Harrison
  Grierson Consultants
Kensington Park
  Patrick Fontein, Kensington Properties
Stonefields
  Evan Davies, Landco
Q-Central
  Chris Aiken, ex Kitchener Group
Milford Centre
  Alan McGregor, New Zealand Retail
  Property Group
Carlaw Park
  Greg Reidy, McDougall Reidy & Co.
Wynyard Quarter
  John Dalzell, Sea+City Projects and
  Rachel de Lambert, Boffa Miskell Ltd
Talbot Park
  Stuart Bracey, Housing New Zealand
  Corporation
Boulcott Street
  Ian Cassells, the Wellington Company
South of Lichfield
  Dave Henderson, Property Ventures Ltd