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The Case for Urban Development Authorities in New Zealand

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RESEARCH REPORT

The Case for Urban Development Authorities in New Zealand

Research Funded by BRANZ
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Preface

This research improves our understanding of the opportunity urban development authorities (UDAs) provide to facilitate the redevelopment/regeneration of brownfield sites within high growth urban areas, particularly in Auckland. More specifically, the research will build on work already completed principally by the Productivity Commission on the structure and powers UDAs require to facilitate urban redevelopment and discuss the economic case for UDAs as a strategy in a New Zealand context.

Acknowledgements

Livingston and Associates would like to acknowledge BRANZ's support in funding this research project via the Building Research Levy along with contributions from Panuku Development Auckland, Property Council New Zealand and Wellington City Council.

In addition, we are grateful for the support and constructive comments provided by the research reference group and officials from the Ministry of Business, Innovation and Employment and the Productivity Commission.

Intended Audience

The use of UDAs for urban regeneration has implications for central and local government. They provide a mechanism to increase the diversity and quantity of housing from within the existing urban area, which is often too complex and risky for the private sector. This research will identify the economic case for UDAs along with the cost and benefits of the alternative hybrid structures of UDAs used overseas. Consequently, the results of the analysis will be of interest to key central and local government policy teams interested in establishing UDAs to facilitate urban redevelopment in conjunction with private sector developers. These include The Treasury, the Ministry of Business Innovation and Employment, Ministry for the Environment and Housing New Zealand Corporation.

Reference

Livingston and Associates Ltd. (2016). The Case for Urban Development Authorities in New Zealand. A Research Report Funded by BRANZ under the Building Research Levy.

Abstract

Urban development authorities have the potential to be a valuable policy tool to assist in achieving a range of improved urban outcomes. The aim of this research is to investigate the opportunity they provide in improving urban outcomes in New Zealand with a specific focus on whether they add economic value, their financial sustainability and the wider benefits they can provide.

Key findings include that the international experience is UDAs struggle to be profitable. Overall, published reports and articles suggest they do create economic value once their wider benefits produced are taken into account. Cost benefit ratios of between two and three are not uncommon. The wider benefits included in the analysis include uplift in values in properties surrounding the regeneration area, reflecting improved amenity and services and a range of social outcomes including improved community health.

Clear goals and objectives, bench marks (financial, economic, social and environmental) reflecting the goals and objectives, limited political interference, realistic time frames, adequate patient capital and a mixture of place and people related strategies will all enhance the probability of success. It is also important to consider the counterfactual before adopting a public owned and funded UDA and whether the potential benefits exceed the costs.

1. Executive summary

The aim of this research is to investigate the opportunity Urban Development Authorities (UDAs) provide in improving urban outcomes in New Zealand with a specific focus on whether they add economic value, their financial sustainability and the wider benefits they can provide. This research has been funded by BRANZ via the Building Research Levy with contributions from Property Council New Zealand, Panuku Development Auckland and Wellington City Council.

In the context of this report a broad definition of urban regeneration is a catch all term to encompass terms such as urban renewal, urban revitalisation or urban regeneration as used in the British, American or European context. In its broadest terms, urban regeneration refers to policies directed at tackling social, economic, physical and environmental problems within the urban space. A UDA is the entity established to lead, facilitate, undertake or partner with other organisations to achieve these objectives.

UDAs are used in a range of countries to achieve a broad range of policy goals. These include regeneration of brownfield and greyfield areas within urban areas and development on the urban fringe. The policy goals have evolved over time, particularly for brownfield and greyfield sites within the urban area from a property development led approach to a focus on both place and people related outcomes. Place and people strategies incorporate goals that focus on:

- Improving the urban environment by the creation of new buildings, improving amenity, developing transport infrastructure and removing any other infrastructure related issues limiting development capacity; and
- A range of people related policies focused on providing the community with the skills and services they require to improve a range of outcomes including health, worklessness, training and household incomes.

The published evidence suggests that UDAs have been widely used as a policy tool to attempt to improve urban outcomes. However, financially, they are likely to struggle to be profitable without subsidies from local or central government. Subsidies typically include capital grants, tax credits, vested crown or publicly owned land and patient capital.

Although the international experience is that UDAs struggle to be profitable, overall published reports and articles suggest they do create economic value once their wider benefits produced are taken into account. Cost benefit ratios of between two and three are not uncommon. The wider benefits included in the analysis include uplift in values in properties surrounding the regeneration area, reflecting improved amenity and services and a range of social outcomes including improved community health.

Factors which are likely to impact on UDA financial and economic performance include:

- The strength of the regional economy, stage of the property cycle and the supply/demand balance for the property being developed within the locality;
- The attributes of the development/regeneration site. The location's access to existing infrastructure and any upgrade costs impact directly on potential profitability. The cost of remediating any environmental hazards on the site can also be a significant liability;
- The ability to partner with rather than compete against the private sector and engage with the wider community;
- The ability to compulsorily acquire property to enable the amalgamation of sites with fragmented ownership structures allowing larger master planned developments. The ability to work with local regulatory planning authorities or, in some cases, establish the development rules and regulations themselves is advantageous;
- Sufficient patient capital to allow the UDA to effectively undertake their mandate;
- Clear goals and objectives together with transparent reporting of their achievements so that their performance can be regularly monitored. This should include economic (including financial), place related, social and environmental outcomes;
- The inclusion of non-commercial goals and objectives typically reduces profitability. These can include the inclusion of affordable housing within the development, providing over scale public amenity, including the provision of social services within the development mandate and increasing the level of innovation/demonstration projects within the development. Demonstration projects may establish a market exists for a product. However, it may not be the most profitable way to develop the site;
- They must be of sufficient scale so they can attract appropriately qualified staff and achieve the economies of scale required to operate efficiently; and
- Independent governance structures with clear goals and objectives, a lack of political interference and a realisation from the community and government that these are long-term projects typically with time frames in excess of 15 to 20 years.

Key learnings from the rapid review of literature on the wider benefits of UDAs suggest that property led regeneration cannot reverse economic decline or a lack of employment opportunities. However, UDAs can be effective at redistributing existing economic activity. Sustainable improvements can be achieved in communities in decline when regeneration strategies encompass physical, management and social issues.

Policies need to consider the underlying causes of poverty and help link residents to economic opportunity. Overseas evidence suggests that UDAs wider benefits can, if undertaken in sufficient scale, have a positive impact on supply, typologies and densities. UDAs can also increase the supply of affordable housing within a community, with the cost of retained affordable housing being cross subsidised by the profit for other units or accepting a lower rate of return.

Research results demonstrate that regeneration activity which produces changes to the physical environment and housing does result in increased resident satisfaction, an increased sense of community, marginally better health outcomes, lower levels of crime and a greater sense of security.

Without appropriate strategies successful physical regeneration activities can have a positive impact on property prices (both sale prices and rents) which reduces the affordability of housing to existing residents and the majority of the benefit accruing to home owners and landlords. This can have an adverse effect on the overall community as evidence suggests the benefits of regeneration can spill over (the halo effect) into adjoining areas further reducing the supply of affordable housing.

This research also includes three case studies, Hobsonville Land Company (Auckland New Zealand), Renewal SA (South Australia) and Places Victoria (Victoria, Australia). The goal was to review their outcomes against the key learnings from the earlier stages of the report and focus on the outcomes (economic, financial and wider benefits) generated by the UDAs. Each case study demonstrated some aspects of the challenges associated with measuring and monitoring UDA performance.

All three case studies have experienced a degree of political intervention altering their goals and objectives. All monitor and publish information on some aspects of their performance. However, they all lack transparency to varying degrees on their financial performance. None had a systematic policy around measuring their economic performance.

All three UDAs perform well in some aspects of their operation. However, all could improve the transparency of their operation by regularly reporting on all aspects of their performance. The goals and objectives established by their boards also have an impact on their overall outcomes particularly around affordable housing and people based initiatives.

The case studies do demonstrate the challenges faced by management and boards of operating a UDA in a commercial manner, balancing commercial confidentiality with the need to operate in a transparent manner and, in some cases, delivering a range of social dividends whilst still operating sustainably.

In summary, UDAs have the potential to be a valuable policy tool to assist in achieving a range of improved urban outcomes. Clear goals and objectives, bench marks (financial, economic, social and environmental) reflecting the goals and objectives, limited political interference, realistic time frames, adequate patient capital and a mixture of place and people related strategies will all enhance the probability of success. It is also important to consider the counterfactual before adopting a public owned and funded UDA and whether the potential benefits exceed the costs.

2. Introduction

The aim of this research is to investigate the opportunity urban development authorities (UDAs) provide in improving urban outcomes in New Zealand with a specific focus on whether they add economic value, their financial sustainability and the wider benefits they can provide. This research has been funded by BRANZ via the Building Research Levy with contributions from Property Council New Zealand, Panuku Development Auckland and Wellington City Council.

UDAs and their hybrids have been used overseas to unlock the residential potential of land within a city's urban limits. Overseas examples demonstrate the wide diversity of the ways in which these types of organisations have been used to drive urban redevelopment and regeneration. Each of these organisations has their own characteristics in terms of ownership, governance, goals, objectives, regulatory powers and funding.

UDAs and their hybrids are seen as a tool which can be deployed to provide the institutional framework to overcome some of the hurdles associated with the integrated redevelopment of existing urban areas whilst partnering with the private sector to access their development expertise and private sector capital. Overseas UDAs allow for effective management of the risks associated with site amalgamation, regulatory process (including planning approvals) and the provision of infrastructure for small and large integrated developments.

Once the UDA has countered the land fragmentation, successfully designated land use zones and provided the enabling infrastructure, they can typically attract private investment to undertake the balance of the development. The increased densities and anticipated land value uplift has the potential to generate a surplus which, in some cases, has been used to offset the cost of affordable housing. The use of master planning is also a strong selling point in times of poorly coordinated urban development.

UDAs and their hybrids offer New Zealand and Auckland, in particular, an institutional framework which could facilitate increased housing supply and density within the existing urban area. The Productivity Commission in their "Using Land for Housing Inquiry" (New Zealand Productivity Commission, 2015), supported the concept of the UDA approach to increasing housing supply and as a way of unlocking Auckland's residential potential and discussed their views on how these entities should be governed and structured and what powers they should have.

The key steps in the research process associated with this project are:

- Review of overseas publications/literature on UDAs and their performance;
- Review the potential wider benefits produced by UDAs; and
- Case studies of three UDAs investigating their outcomes relative to their inputs.

3. Methodology

3.1 Overview

The research is divided into two main research methods. These include a desk based review of published literature followed by case studies of urban development authorities (UDAs). In addition to these main methods, a series of meetings were included with the development agencies in Auckland with the objective of highlighting existing structures used and how the learnings from the two main approaches could be applied in a New Zealand context.

3.2 Desk based review of literature

A comprehensive desk based review of published literature on the performance of property led UDAs was undertaken in relation to a number of key themes. The review focused on UDA performance and the characteristics of the organisations which impact on their performance. The publications included in the review encompassed academic papers and reports, official government publications, consultants' reports, think tank reports, lobby group literature, professional work and trade journals.

3.3 Case studies

A total of three case studies were used to illuminate current performance of UDAs and the factors influencing their performance. Case studies were employed to demonstrate the nuances of UDA performance in different locations and cultures.

3.4 Interviews

A series of interviews were undertaken with Panuku Development Auckland, Tamaki Regeneration Company and Hobsonville Land Company. The objective of the interviews was to gain insight into the structure, goals, objectives and performance of these entities to be able to apply the results of the first two stages of the project in a New Zealand context. They were a useful source of relevant publications. In addition to the interviews with staff at Auckland based development agencies, a number of other overseas industry experts were interviewed by telephone. The objectives of the interviews were to draw on the knowledge of people in the industry, ask interviewees for recommendations of further contacts and publications useful to the research. The results were used to inform the discussion around the structure and performance of UDAs.

4. Context

4.1 Introduction

The objective of this section of the report is to provide contextual background information. Interest in the potential role of urban development authorities (UDAs) in our property markets has increased since 2010. A recent Productivity Commission inquiry on "*Using Land for Housing*"[1] (New Zealand Productivity Commission, 2015) suggested UDAs potentially have a role in unlocking the development potential within our larger housing markets. Central Government created the Hobsonville Land Company in the 2000s to develop surplus defence force land in West Auckland. More recently, they in partnership with Auckland Council formed Tamaki Regeneration Company to regenerate East Tāmaki and increase housing supply in a location previously dominated by social housing. Auckland Council also formed Panuku Development Auckland by merging Waterfront Auckland and Auckland Council Property to unlock the development potential of their land holdings. In addition, a number of other local authorities promoted the use of UDAs as a way of driving better property market outcomes in their submissions to the Productivity Commission inquiry into "*Using Land for Housing*".

UDAs have produced mixed results overseas and their potential role in a New Zealand context is uncertain. It is in this environment that there has been increased interest by policy advisors on what role, if any, UDAs could play in a New Zealand context and based on overseas experience do they add economic value and what factors influence their performance. Based on this overseas experience what key learnings can be applied to the Auckland based UDAs?

This section of the report presents:

- A definition of urban regeneration;
- A summary of the key reasons cited for establishing UDAs;
- Discussion on the difference between redevelopment or regeneration; and
- An overview of the Auckland based UDAs.

[1] New Zealand Productivity Commission (2015) "Using Land for Housing – Final Report." A Report by the New Zealand Productivity Commission.

4.2 Definition of urban regeneration

In the context of this report, a broad definition of urban regeneration is a catch all term to encompass terms such as urban renewal, urban revitalisation or urban regeneration as used in the British, American or European context. In its broadest terms, urban regeneration refers to policies directed at tackling social, economic, physical and environmental problems within the urban space.

4.3 The case for UDAs

UDA type entities are used in many countries around the world with the aim of achieving a wide range of goals and objectives. Although they operate in a wide range of circumstances and environments, there are some common themes around the rationale associated with why they are considered as a good policy instrument to achieve the goals and objectives set by local and central government. There have been a number of New Zealand studies and inquiries which have suggested UDAs as a policy instrument. These include:

- An SGS (2006) report for the Ministry for the Environment which proposed the establishment of national and regional urban transformation corporations to undertake urban regeneration;
- An inter-agency discussion report by the Sustainable Urban Development Unit (2008) which sought feedback on a development organisation to coordinate planning and investment, assemble land and operate planning and consenting processes;
- The Minister for Building and Construction established the Urban Taskforce (an inter-agency group including industry representation), which published their findings in 2009. Their report recommended the creation of an UDA based on a partnering model to deliver urban development projects. They suggested UDAs can "accelerate the quality and quantity of urban development, a tried and tested approach to complex urban development as needed. Urban development agency models are commonly used to bring all parts of an important development package together in a consistent and integrated manner" (Building and Construction Sector Taskforce, 2009, page 3); and
- The Productivity Commission in their Inquiry into Using Land for Housing (New Zealand Productivity Commission, 2015), also suggested UDAs offered significant potential to redevelop sites and leverage large numbers of dwellings within the urban environment by overcoming some of the key challenges faced by the private sector which inhibit the supply of land for housing. In addition, their recommendations suggested government should consider legislation to create a regime whereby certain developments are undertaken by local UDAs.

The Urban Taskforce (Building and Construction Sector Taskforce, 2009) suggested UDAs have the potential to:

- Speed up the rate of development;

- Increase the scale of the development;
- Introduce an increased range of development partners;
- Create efficiencies, the sharing of risks between partners and the potential for market innovation; and
- Deliver long-term value by creating a financial engine for pursuing development over the long term.

The Urban Taskforce also suggested the ability of UDAs to potentially reduce the barriers which may hinder a market's ability to drive urban development include:

- Challenges and risks associated with assembling large grey field development sites by using low cost public finance and adopting a longer view around development timeframes;
- Access to patient low term finance for larger innovative urban developments;
- Developers are typically undercapitalised in relation to undertaking large-scale developments;
- Longer time frames required for large-scale urban developments increase the uncertainty and risk associated with these projects;
- Significant initial upfront investment is required. This cost can relate to the accumulation of sites required for the investment, costs of site preparation and remediation and the time value of money as it relates to achieving the necessary planning approvals required;
- Potential for delays as communities adjacent to the development slow the regulatory process;
- Council processes can impede the development process especially when elected members of council can override officers' technical advice or more than one council is involved in the consenting process;
- Industry may lack the resources or be too risk averse to undertake larger scale complex urban development projects; and
- The capability and experience of developers themselves for new types of development may limit growth.

UDAs have been established in a wide range of countries as a vehicle to improve community outcomes. However, it is important to remember that New Zealand's urban development landscape differs from countries such as the United Kingdom and the United States of America in that local metropolitan areas do not have a large number of large brownfield sites (typically used for industrial purposes in the past) which require or can accommodate redevelopment.

In the past, he private sector in New Zealand has had the opportunity to redevelop sites when they have become available. These sites have typically been owned by a limited number of organisations and been redeveloped into residential uses or more intensive industrial uses. Examples in Auckland include Stonefields (a quarry redevelopment predominantly into residential use) and Southdown Freezing Works which has been redeveloped into a range of suburban office and more intensive industrial uses. The private sector has also been active in the development of green field land into residential and industrial/commercial uses as well. The key gap in our urban redevelopment framework has been the redevelopment of land within our existing urban landscape.

UDAs can play an important role in urban regeneration and residential growth strategies in Australia, the United Kingdom, Hong Kong and parts of the United States. UDAs have a range of forms and functions but typically lead the development of specified areas. They may be permanent or time-limited bodies. In some cases, they may have compulsory acquisition or planning powers, allowing them to amalgamate smaller landholdings and rezone the combined site.

Davison et al. (2012) cite other possible benefits from the involvement of Australian based UDAs in land development, including:

- the potential for UDAs, as the owners or regulators of the land, to attach conditions to its final use to achieve social objectives (for example, greater provision of lower-cost housing);
- greater scope to manage urban renewal, so that "processes of change proceed in a co-ordinated manner";
- an enhanced ability, as the owners of amalgamated or renewed land, to capture some of the uplift in land value that accrues from redevelopment for community use; and
- that UDAs also play a role in bringing affordable housing to market in some Australian states, but their effectiveness appears to depend on the agencies having sufficient planning powers, independence and clear targets

The New Zealand Productivity Commission's inquiry[2] into Using Land for Housing also considered that UDAs offer significant potential to redevelop sites to deliver large numbers of new dwellings. They note that UDAs can take advantage of economies of scale, to generate efficiencies and may be able to foster a larger, more efficient and capable construction industry. The final report (New Zealand Productivity Commission, 2015) included the following observations:

[2] NZPC (2015) Inquiry into Using Land for Housing final report.

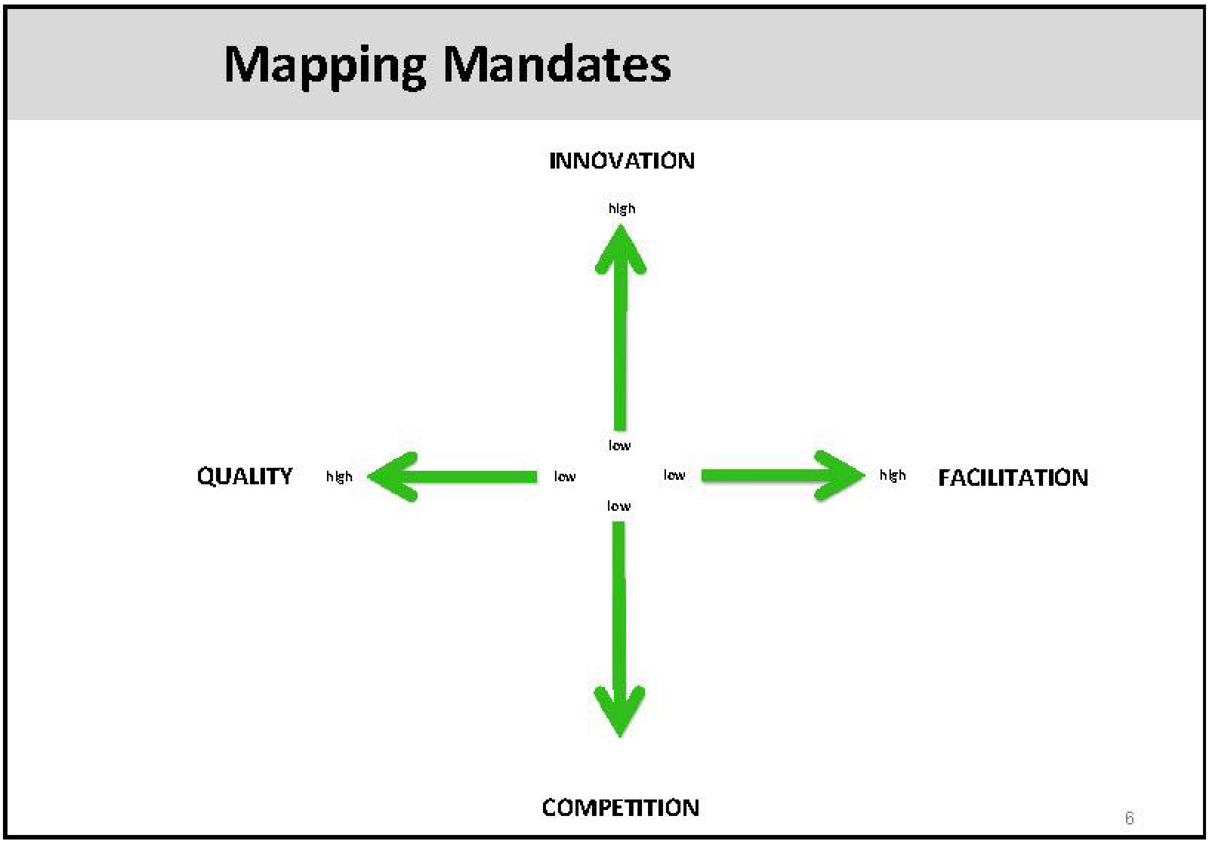
- UDAs can play an important role in de-risking development and bringing land to market;
- Submitters to the inquiry gave broad support for UDAs to lead urban regeneration projects that provide for residential development but gave little support for one nationally established authority;
- New Zealand's largest cities have local UDAs established or planned; and
- A nationally established UDA is likely to be counterproductive where councils have urban development vehicles.

The final report (New Zealand Productivity Commission, 2015) also made the following recommendations relating to UDAs:

- The government should legislate to create a regime similar to Special Housing Areas whereby certain developments undertaken by local UDAs are designated by Order in Council as having the potential to deliver significant numbers of dwellings and within which the UDA will operate with different powers and land use rules;
- The government should provide for 'designated developments' undertaken by local UDAs to allow higher height and storey limits than in the Special Housing Areas regime and to allow non-residential uses that may be necessary for the development to be economically viable;
- The government should legislate to grant compulsory acquisition powers to local UDAs for 'designated developments', subject to the normal processes, compensation and protections of the Public Works Act 1981;
- The government should adjust the 'offer back' provisions of the Public Works Act 1981 for use by UDAs, so that they are not obliged to offer back land that has been significantly redeveloped;
- The government should provide for 'designated developments' undertaken by local UDAs to operate under streamlined planning and consenting processes. This should include restricting public notification; and
- The government should look at other opportunities to support the activity of local UDAs to deliver on councils' goals for urban redevelopment, including through making Crown land available, partnering in specific projects and ensuring that Housing New Zealand Corporation cooperates where relevant.

Spiller and Khong (2014) suggested UDAs have a role within a market to potentially deliver four mandates. These are presented in Figure 4.1.

Figure 4.1: Mapping UDA mandates



Source: Spiller and Khong (2014)

They suggested UDAs have a role as a vehicle to:

- Demonstrate innovation in a market by developing untested product/typologies, the goal being to demonstrate to risk averse developers whether the market exists for a wider range of dwelling sizes and configurations than has been traditionally developed;
- Facilitate the development of land by undertaking roles within the market which the private sector may consider too risky and/or time consuming. The potential use of "patient capital" allows UDAs to have a longer time horizon than the private sector. These functions could include the accumulation of a number of sites under fragmented ownership into a larger site, remediation of issues associated with a site's readiness for development, scoping and planning the infrastructure requirements for a site and obtaining the necessary planning consents;
- Increase the level of competition and supply of development sites and/or dwellings within a market with the goal of improving market efficiency and limiting price growth;
- Use powers of compulsory purchase to free up land supply and reduce the incidence of land banking; and
- Improve the quality of property being developed and demonstrate new building techniques with the goal of demonstrating to the private sector alternative strategies and the depth of the market for different products.

4.4 Redevelopment, renewal or regeneration led schemes

Policies associated with UDAs have evolved since the mid-20th century. Table 4.1 summarises the policy evolution in a United Kingdom context.

Table 4.1: UDA policy evolution – United Kingdom

Period/Policy type	1940s/1950s Reconstruction	1960s Revitalisation	1970s Renewal	1980s Redevelopment	1990s/2000s Regeneration
Strategy	Reconstruction of older areas based on a master plan	Continuation of the 1950s attempts at rehabilitation	In-situ renewal and neighbourhood schemes	Flagship projects	Comprehensive practice and integrated treatments
Key Actors	National and local government	Greater balance between public and private sector	Private sector and decentralisation in local government	Private sector special agencies Growth of partnerships	Partnerships
Scale	Local and site levels	Regional level is emerging	Regional and local levels	Site related	Reintroduction of strategic perspective and a regional level.
Economic Focus	Public sector	Growing influence of private investment	Resource constraints and growth of private investment	Private sector dominant	Greater balance between public and private funding
Social	Improvement of living standards	Social and welfare improvement	Community based action and greater empowerment	Community self-help with selective state assistance	Emphasis on the role of the community
Physical Emphasis	Replacement of inner area and peripheral development	Continuation of the 1950s attempts at rehabilitation	Extensive renewal of older urban areas	New development with flag ship schemes	Heritage, redevelopment and retention
Environment	Landscaping and greening	Selective improvements	Environmental improvement	Concern for wider approach to environment	Development of the wider idea of environmental sustainability

Source: Huston and Darchen (2014)

In addition to the models identified above Huston and Darchen (2014) suggested urban regeneration can be organised around different narratives which include:

- Property led physical approach based on the development of property and the economic multiplier this can have on the local economy;
- Business driven approach which highlights the importance of business investment as a driver for urban regeneration;
- Urban form and design perspective which emphasises the relationship between sustainable development and urban form;
- Culture led regeneration where creative industries are seen as the catalyst for regeneration;
- Health and well-being perspective approach which highlights the role of urban design in neighbourhood health and liveability; and

- Community based and social economy approach based on the involvement of the community in decision making.

Huston and Darchen (2014) contend that lip service is typically paid to the triple bottom line approach to regeneration where consideration should include economic, environmental and social outcomes. They also contend that economic and environment considerations dominate regeneration, and the importance of social capital and cohesion and needs are not always considered. Specifically, they suggest the following factors should be taken into account (see Table 4.2.)

Table 4.2: Social sustainability contributory factors in urban regeneration

Non Physical Factors	Physical Factors
Education and training Social justice Reasonable distribution of income Residential stability (vs Turnover) to foster social capital Improved sense of community and cohesion Participation and local democracy Health outcomes and quality of life Safety and reduced crime Mixed tenure outcomes Level of employment and unemployment Maintenance of cultural traditions	Urbanity Attractive public realm Decent housing Increased commercial space creating local employment Local environmental quality and amenity Accessibility (to local services/employment/green space) Sustainable urban design Walkable neighbourhood

Source: Huston and Darchan (2014)

Huston and Darchen (2014) conclude that the framework for urban regeneration involves a number of key processes and outcomes which should be considered when assessing their performance and these include:

- Urban planning and governance (process);
- Economic viability (outcome);
- Place-making (outcome);
- Regional resilience (transport and ecological outcomes); and
- Community (Process (interaction and engagement) and outcomes).

4.5 Auckland based UDAs

Auckland has a number of entities undertaking urban development activities in different markets across the region. Table 4.3 provides an overview of the key UDAs currently operating in Auckland.

Table 4.3: Auckland UDAs

	Hobsonville Land Company	Panuku Development Auckland	Tāmaki Regeneration Company
Location	Auckland	Auckland	Auckland
Ownership	100% by Housing New Zealand	100% by Auckland Council	59% Crown and 41% Auckland Council
Type	Single site greenfield development	Various brownfield and vacant council owned sites in multiple locations	Urban Renewal of a large number of sites within a single suburb
History	Established to develop surplus crown land	Formed by merger of Auckland Council Property & Waterfront Auckland	Created to drive the redevelopment of social housing stock in East Tāmaki
Key functions	Land development of a single site	Multiple roles[3]	Redevelopment of 2,500 units spread across East Tāmaki
Powers			
Planning powers	No	No	No
Compulsory acquisition	No	maybe[4]	No
Mandates			
Innovation	High	High	Medium
Facilitation	Medium	High	Medium
Competition	Medium	Medium	Medium
Housing Quality	High	High	High
Performance Assessment			
Urban planning & governance	High	High	High
Economic viability	Not published	Not published	Not published
Place making	High	Goals High	Goals High
Regional-resilience	Medium	-	-
Community	High	Goals High	High

[3] Panuku Development Auckland has a wide range of roles including the rationalisation and sale of surplus council owned land, management of the council owned property portfolio, facilitation of urban regeneration and managing the regeneration of Auckland's inner city waterfront.

[4] Meetings with Panuku Development Auckland executives suggested that they consider they already had the powers of compulsory purchase under the Public Works Act although the New Zealand Productivity Commission's final report for the Using Land for Housing inquiry (New Zealand Productivity Commission, 2015) suggested that this was uncertain.

Hobsonville Land Company (HLC)

Housing New Zealand Corporation (HNZC) created a wholly owned subsidiary, Hobsonville Land Company (HLC), to develop 167 hectares of Crown land at Hobsonville. HNZC has an agency agreement with the Crown to develop the land and has delegated its powers to HLC to carry out the development. HLC is undertaking the development of the land in partnership with private sector partners. The development is projected to deliver 3,500 dwellings over an expected 10 to 15 year development timeframe. Under a Cabinet mandate 20 percent must be priced for affordable home buyers. Community facilities such as schools, recreational spaces, and reserves have been developed, along with a waterfront area with a ferry terminal.

Hobsonville Land Company selected AV Jennings as their preferred development partner for stage 1 of the development though a competitive tender process. AV Jennings is a publicly listed Australian based property developer. In part, it was the scale of the development that allowed Hobsonville Land Company to attract AV Jennings into the Auckland construction market. Subsequently, AV Jennings has contracted New Zealand group home builders to build the dwellings, source: (New Zealand Productivity Commission, 2015).

The principal development project is the former Hobsonville Airbase at Hobsonville Point on the Waitemata Harbour. Hobsonville Land Company and AV Jennings signed a partnering precinct development agreement on 10 April 2008, for the first stage development of the former airbase. The first two stages are now complete with sales settled; stages three and four are complete with sales still to settle, and development of stages five, six and seven is underway.

To 30 June 2015, 746 homes and sections had been sold (330 during 2014/15), and 162 affordable homes had been sold including 61 during 2014/15.

HLC has a board of six directors including HNZC's chief executive or nominee. The Chair is Adrienne Young Cooper who is also HNZC's current board chair.

As a wholly owned subsidy of HNZC, there were no publicly available accounts focused solely on HLC's financial performance. Rather, a summary was included in HNZC's annual report. HNZC's accounts do include separate accounts for the Housing Agency Account, which is almost entirely related to HLC, however, it is still difficult to ascertain HLC's performance from this information, for example, it was not possible to identify the organisation's return on equity and/or investment.

Panuku Development Auckland

Panuku Development Auckland (Panuku) is a council-controlled organisation (CCO) and was established in September 2015 as a result of the merger of the two CCOs Waterfront Auckland and Auckland Council Property. Panuku is charged with leading urban redevelopment activities on behalf of Auckland Council in key locations and in doing so significantly contributing to outcomes contained in the Auckland Plan. Panuku will not build residential and/or commercial space in town centres on its own but will facilitate and partner with the private sector to build. It will not undertake any construction, marketing or sales activity. Panuku currently manages around $1.9 billion of land and buildings owned by Auckland Council.

Panuku's objective is to contribute to the implementation of the Auckland Plan and encourage economic development by facilitating urban redevelopment that optimises and integrates good public transport outcomes, efficient and sustainable infrastructure and quality public services and amenities. Panuku will manage the council's non-service property portfolio and provide strategic advice on the council's other property portfolios. It will recycle or redevelop sub-optimal or underutilised council assets and aims to achieve an overall balance of commercial and strategic outcomes.

Panuku's range of activities covers four broad areas:

- Redevelopment of urban locations and council owned land within the rural urban boundary;
- Redevelopment of council non-service property and where appropriate, review of council service property;
- Management of council non-service property and a range of other council owned commercial assets; and
- Other property related services such as property advice, acquisitions and disposals.

Panuku is charged with balancing commercial and strategic outcomes in order to create sustainable and resilient places where people want to live, work, invest, learn and visit. A number of priority locations have been identified, which include Manukau, Onehunga and Wynyard Quarter.

Panuku has an independent board of nine directors with serving members of an Auckland Council governing body or local board or an employee of Auckland Council (Auckland Council's chief executive or his/her representative may be appointed as a director) included or excluded as directors.

Panuku's performance measures are set out in the statement of corporate intent. These include a range of financial and non-financial performance measures. Panuku is expected to generate a net operating surplus of $28.5 million in the 2015/16 year on a portfolio of property with an estimated value of $1.9 billion. The organisation is in its first year of operation, and consequently it is difficult to judge their performance to date or comment on how transparent their annual accounts are in terms of identifying their performance relative to individual regeneration projects.

Tāmaki Regeneration Company

Tāmaki Regeneration Company (TRC) was incorporated in August 2012 and is jointly owned by the Crown (59% ownership) and Auckland Council (41% ownership).

TRC operates with the objectives of housing, economic development, social renewal and spatial regeneration in the Tāmaki area. To facilitate the desired regeneration and empower the organisation, the Crown transferred the control of 2,800 HNZC owned social housing units to TRC on 31 March 2016 at HNZC's book value ($1.3 billion). The Crown also provided a $200 million drawdown working capital facility to TRC.

The four objectives outlined in the company's heads of agreement are as follows:

- Social: Supporting Tāmaki residents and families to gain the skills, knowledge and employment opportunities to progress their lives;
- Economic: Strengthening the local economy and unlocking the potential of the Tāmaki area to enable a prosperous community and deliver better value for money to the Crown (with a focus on increasing the return on investment and realising the potential value from state and council owned housing);
- Spatial: Creating safe and connected neighbourhoods that support the social and economic development of Tāmaki and its community; and
- Housing resources: Optimising the use of land and existing housing stock to effectively support and deliver social and economic results, including progressing private housing development and better public housing options for Tāmaki.

TRC's objective is to encourage regeneration of Tāmaki and plans to build approximately 7,500 new houses in Tāmaki over the next 10-15 years, replacing about 2,500 existing old homes and retaining the same number of social housing units.

These are the objectives of assessing TRC's:

- To measure the effectiveness of regeneration at the Tāmaki-wide, neighbourhood and family level. This assessment of broad community outcomes and perceptions will assist in understanding the characteristics of the Tāmaki community, outlining benchmarks, setting targets and improving decision making at a programme level in the future;
- To use measures to make adjustments to the implementation of existing projects and to define new projects, in order to ensure regeneration projects are contributing towards overall regeneration programme goals;
- To understand its community and ensure that social and economic regeneration interventions at a neighbourhood and family level are configured appropriately to assist in delivering positive change; and
- To promote awareness amongst stakeholders of the impact of the company's regeneration programme.

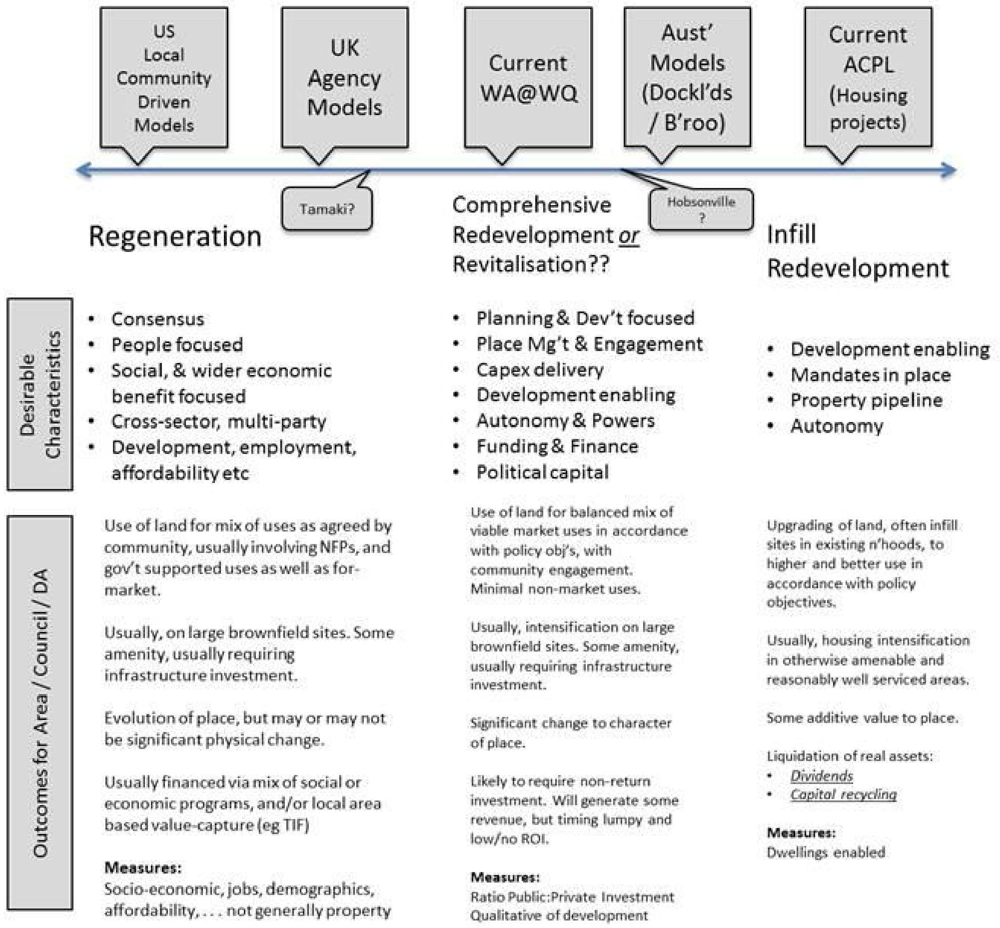
TRC's performance goals and objectives are clearly stated in their corporate documentation:

- Category one goals include construction goals and the requirement to acquire planning approvals in a number of locations and achieve listed regeneration goals which include promoting early childhood education, improving community safety and investing in leadership development within the Tāmaki community;

- Category two goals include the successful transfer of HNZC's assets in the area to TRC;
- Category three goals include achieving strategic land purchase and redevelopment targets, transferring HNZC's tenancy management to TRC and establishing a social service framework in partnership with other agencies; and
- Category four goals include operation of a successful tenancy management system.

Spiller and Khong (2014) ranked the Hobsonville Land Company and Tāmaki Regeneration Company on where they fell within the range of different types of UDAs. The results of their analysis are presented in Table 4.2.

Table 4.2: Hobsonville Land Company and Tāmaki Regeneration Company



Source: Spiller and Khong (2014)
NB: Panuku Development Auckland has taken over ACPL projects.

Their analysis suggests TRC goals are similar to agency regeneration models used in the United Kingdom delivering a mix of redevelopment, revitalisation and people focused outcomes. HLCs operation is more closely aligned to the Australian land development models focused on comprehensive developments. Panuku would also fall in the middle of the range as they move towards unlocking the development potential of urban sites in partnership with private sector and not for profit developments.

5. The performance of overseas based UDAs

5.1 Introduction

The objective of this section of the report is to provide information on the performance of urban development authorities (UDAs) in an economic and financial sustainability context. Although there is extensive literature published on urban regeneration, there are relatively limited articles and reports published on their economic and financial performance. This section of the report draws together the published information on UDA performance at a number of levels, including at a global policy level, examining:

- what costs and benefits have been generated by the expenditure of a specific regeneration policy;
- how UDAs have performed in terms of economic costs and benefits as well as their overall financial performance; and
- how individual regeneration have projects performed in an economic and financial context.

5.2 UDA performance

Although performance transparency is universally listed by commentators as ideal characteristics of a UDA, unfortunately it is not a common feature of UDAs. This is particularly true of financial performance at either the level of the overall operation of the UDA or at individual project level. As a consequence, there are not a lot of published reports and articles focused on the financial and economic performance of UDAs.

In addition, financial or wider economic benefits are only one of many goals and objectives for UDAs. In many cases, financial or economic outcomes appear to rank behind a range of other policy objectives. As a consequence, in a significant number of the published evaluation assessments they are not mentioned. Appropriate financial control of any regeneration/redevelopment projects is appropriate to ensure they are prudently managed and the best value for money spent is obtained even if the objective is to minimise the loss for the UDA.

The Auckland Regional Growth Forum (2007) suggested that some of the economic benefits derived from UDA activity include the benefits associated with increased urban density. These are generated from gains in the use of resources such as transport, increased use of existing resources such as amenity, location economies as firm's interactions increase and better use of the land resource. They also note that these benefits are likely to be proportionally greater as the population of the urban area increases.

5.2.1 *United Kingdom and Europe*

Context

Regeneration policy in the United Kingdom and Europe has evolved since the Second World War and typically contains a number of dimensions including economic, physical and social considerations. It is important to remember that regeneration problems vary considerably from location to location. The key issues that are highlighted can vary from distressed labour markets, poor housing, worn out or inadequate infrastructure and issues associated with crime, social disorder or ill health. Typically, the problems usually emerge as an imbalance between supply and demand whether the gap is in the labour market or housing market, and this gap persists through time in that it is not a cyclical or temporary change in the market (Tyler, 2011).

The defining characteristics of English and European urban policy throughout this period have been an area-based approach, with regeneration programmes formulated and funded by the state but implemented by local actors. An important constant has (until very recently) been a narrative of 'market failure'; a definition of regeneration as a process of reversing physical, economic and social decline in areas (located primarily in the core Victorian neighbourhoods and peripheral social housing estates of London and the major industrial conurbations of the Midlands and North), where the private market could not achieve regeneration without public intervention. Urban policy in England has, thus, been guided by an *implicit* normative belief that such decline is, indeed, *reversible* – a belief shared in France and Germany (Hall 2016, page 314).

Regeneration policy was initially focused on slum clearance, suburbanisation, the post-war "New Towns strategy" and renewal of urban infrastructure (Atkinson & Moon, 1994). To a large extent, planning was about responding to the problems of the Victorian city, both by redevelopment of the urban core and retreat to the suburbs and beyond, done within a framework of regulation. It was primarily a physical process, about physical development and moving people and jobs.

There have been numerous policy initiatives to improve market outcomes and increase the supply of housing. The New Towns policy was introduced in the mid-20th century as a strategy to grow housing stock funded in part by the uplift in land values associated with buying land at rural use values and selling it with residential infrastructure and zoning in place. The 1960s Labour Government introduced the traditional urban programme which was managed by the Home Office and funded small local projects to improve education outcomes and employability. By the 1970s The Inner Urban Areas Act was passed to counter the effect of private sector disinvestment, (Hall, 2016). The Housing Market Renewal Pathfinder programme was introduced to tackle issues associated with low housing demand and abandonment in social and economically deprived areas.

The property-led regeneration of the late 1980s was the last major, full-scale manifestation of a kind of 'traditional' urban policy based upon physical planning which effectively excluded the wider community. The urban development corporations stimulated massive redevelopments on the degraded and abandoned remnants of former industrial cities and docklands (Imrie & Thomas, 1999). Like the "New Town" development corporations before them, they were set up to get things done and not get diverted by consultation or by the complexities of partnerships and inclusive governance. Their remit was tightly focused on attracting private-sector development and achieving rising land prices rather than having a community/people focus or consideration of wider regeneration issues such as employment growth.

There have been many initiatives aimed at tackling the broader problems of poor neighbourhoods from the 1960s onwards. These included the Urban Programme, then the urban development corporations and task forces in the 1980s and the single regeneration budget in the 1990s. All tried new approaches and all had some successes, but none really succeeded in setting in motion a virtuous circle of regeneration, with improvements in jobs, crime, education, health and housing all reinforcing each other (Social Exclusion Unit, 1998, page 4).

The 'turn to community' strategy adopted in the mid-1990s (Duffy & Hutchinson, 1997) marked a very significant shift in policy. The City Challenge programme and its successor, the single regeneration budget, brought about the development of partnership based and community-centred approaches to regeneration and renewal (Shaw & Robinson, 1998; Hill, 2000). These initiatives were recognition of the limitations of property-led regeneration and of the failure of top-down interventions. Moreover, they were experiments which provided the foundations for New Labour's[5] wider ranging urban regeneration programme, with its emphasis on combating social exclusion, renewing neighbourhoods and involving communities (Imrie & Raco, 2003; Smith, Lepine & Taylor, 2007).

Urban regeneration was very much a part of the New Labour 'project', an active area of policy-making with a 'broad and eclectic range of ideas and policies'. New Labour responded to a range of different pressures and concerns. These included: *spatial* concerns (such as growth in the south east); *social* concerns (such as reducing social exclusion); and *economic* concerns (such as the competitiveness of a number of core cities). The policy response also involved the development of new forms of local *governance*, such as local strategic partnerships and neighbourhood partnerships and initiatives to enhance the capacity of agencies and individuals to promote urban regeneration, such as the Academy for Sustainable Communities (now the Homes and Communities Academy). While it is difficult to obtain an overview of all this activity, it is helpful to focus on four overarching themes: neighbourhood renewal; urban renaissance; sustainable communities; and competitive cities (Hall, 2016).

[5] New Labour refers to the Blair led Labour Government.

This emphasis is perhaps best captured in *the National Strategy for Neighbourhood Renewal* (Social Exclusion Unit, 2001). The strategy included programmes such as the Neighbourhood Renewal Fund, New Deal for Communities and the Neighbourhood Management Pathfinders, which aimed to narrow the gap between the most deprived areas and the rest of England, so that 'within 10–20 years no-one should be seriously disadvantaged by where they live'. The strong commitment to 'engaging' the community in the process of regeneration has changed practice, fostered innovation and revealed new insights (Burton, 2003; Robinson, Shaw & Davidson, 2005; Skidmore, Bound & Lounsbrough, 2006).

New Labour promoted engagement as a mechanism which can break-open systems of governance, making them more responsive, more accountable and, perhaps most importantly, more effective and efficient. Giving communities more of a say over what policy priorities should be and how resources should be spent is seen more broadly as a good thing, something to be nurtured, as an integral part of any strong democracy (Imrie & Raco, 2003, page 8).

Neighbourhood renewal was used as a key policy by New Labour to address social exclusion at a local level and transformation in employment, housing, education, crime and health outcomes through area based initiatives, for example the New Deal for Communities was part of this programme. There is now a well-established consensus that local communities need to be involved in the process of urban regeneration.

The Cameron led Conservative Government elected in 2010 ended the housing renewal programme introduced by New Labour and reduced regeneration expenditure by two thirds. For the first time since the 1960s, there was no national framework of area based regeneration initiatives and supporting financial and institutional resources.

The Conservative Government reduced the role for central government in urban regeneration, and the focus of its policy shifted to targeted infrastructure investment, incentives for growth, new housing bonus 1980s style enterprise zones, deregulation of the planning system and the encouragement of grass roots community participation through neighbourhood planning. Its approach changed from the policies of the previous four decades which were premised on correcting a “market failure”. Its regeneration strategy was to enable growth which may also stimulate economic activity. However, commenters suggest it did little to address the physical, economic and social malaise of deprived areas (Hall, 2016).

Performance

There has been significant debate on the effectiveness of various redevelopment and regeneration initiatives. Views varied, with some suggesting that they do not provide a positive return on investment to communities and it may have been better not to intervene in the market (Tyler et al., 2013).

The New Towns' economic philosophy in the United Kingdom was to buy land at agricultural land values and accumulate the gains from the uplift in prices as they reflect the change to urban values. Strategies that maximise the uplift in value to the UDA also improved their financial performance. This included staged sales of development sites to multiple developers over the development rather than selling the whole site to one developer when the area is ripe for redevelopment. This allows the UDA to benefit from the uplift in value once the urban environment takes shape.

DCLG (2006) concluded that the majority of first generation "New Towns" were likely to be financial successes, whilst constraints placed on second and third generation "New Towns" and their relatively short development timeframes makes it difficult to undertake a full evaluation of their financial performance. They concluded that the performance of the regional economy and level of population growth was a better indicator of the likely success of the regeneration projects rather than the locality itself. If a region had growing employment levels and an increase in population growth, the regeneration project was likely to be more successful. Regeneration projects could not in themselves 'fix' the economic ills of a region. Regeneration projects in localities with poor economic growth should have financial targets which reflect their likely lack of profitability.

The report noted the goals of the New Towns programme was that individual projects would eventually show a profit. However, delivery was not dominated by this consideration and circumstances would vary across individual projects and over time. The report concluded that the experience of the New Towns regeneration policy had a range of results in terms of profitability. *"Some achieved early profitability (Harlow[6] and Bracknell[7]), some developed in less favourable circumstances only achieved profitability in the disposal stage, (for example Milton Keynes[8]) others never achieved profitability (for example Runcorn[9])" (DCLG 2006, Page 31).*

The common themes of the projects that were "profitable" were that they were located in markets experiencing significant growth in demand. At the same time property led regeneration in areas of low demand struggled to be profitable. The report also noted that scarcely any economist had attempted to undertake a complete analysis of the New Towns

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[6] Harlow is located in the growth corridor between London, Cambridge and Stanstead and benefited from spill over growth from London.

[7] Bracknell is located to the west of London with rail lines running to Waterloo. The area benefited from spill over growth from London.

[8] Milton Keynes is one of the four major growth areas in the London and the south east and experienced strong population growth, quadrupling in size since the early 1970s.

[9] Runcorn formed part of the Merseyside regeneration project in an economically depressed location, required significant investment in infrastructure and suffered from low demand.

programme due in part to the challenges that would entail due to the low availability of detailed information.

Turok (1990) suggested Bracknell is considered one of the more profitable New Town UDAs. Bracknell New Town moved into financial surplus early in the 1960s and continued to generate profits through to 1986. Over a thirty two year time frame Bracknell New Town invested 132 million pounds on capital projects. It took ten years for the project to become profitable. When the project was wound up in 1982 it had accumulated a surplus of 17.4 million pounds. The level of profits was influenced by government policy when it was encouraged to sell houses to tenants and sell more ground leases on undeveloped sites to the private sector. Table 5.1 presents the level of returns on assets for Bracknell New Town.

Table 5.1: Bracknell New Town returns

Rate of Return	1955 to 1959	1960 to 1964	1965 to 1969	1970 to 1974	1975 to 1979	1980 to 1982
Total assets	1.5% pa	3.8% pa	4.3% pa	3.9% pa	3.9% pa	10.3% pa
Housing	1.7% pa	4.3% pa	5.1% pa	4.9% pa	4.2% pa	
Industry	5.8 % pa	9.2% pa	10.9% pa	12.3% pa	13.0% pa	22.5% pa
Commerce	2.0% pa	7.2% pa	11.7% pa	8.7% pa	17.4% pa	43.9% pa

Note that housing was transferred to the District Council in 1978 hence there is no return for 1980 onwards
Source: Turok (1990)

Turok (1990) concluded that, with the low returns from housing, there would have been insufficient revenue to cover interest payments without government subsidies. He cautioned that these were a very crude measure of performance. The improvement in performance in the last period reflected the strong growth pressures in the region. Turok (1990) concluded that it illustrated a more general point that the financial outcome of the New Town development was closely bound up with the economic and spatial context within which it was developed.

Cheshire, Nathan and Overman (2014) suggest the history of area based initiatives undertaken by UDAs holds important lessons where a government wants to improve either housing or the built environment in situations where it cannot directly control who lives there. Because housing is durable, falling demand can lower prices so housing is cheaper in less desirable areas of cities. Cheaper housing is typically relatively attractive to low paid people. Regeneration policy that directly affects the supply of housing in less desirable neighbourhoods through social housing build, refurbishment or improvement programmes will change prices and thus the composition or demographic mix of neighbourhoods. Upgrading or improving transport links is likely to have a similar impact.

These policies can lead to government led gentrification. If the investment in improving the neighbourhood is successful in improving the attractiveness of the area sufficiently that it raises prices, then lower income households will be priced out of the area or they must shift into non-market housing (social or affordable housing units). Ahlefeldt (2013) cited in Cheshire et al. (2014) describes this self-reinforcing mechanism.

Cheshire et al. (2014) suggest that regeneration policies rely on untested conventional wisdom. This includes emphasis on increasing densities and changing the composition of local housing to encourage income and tenure mixing. The policy is supported by the supposition that higher density supports local shops and public transport and is better for the environment. Income and tenure mixing is said to be more in keeping with historical patterns to deliver benefits to lower income households and improve functioning neighbourhoods.

Cheshire et. al. (2014) suggest all these points are open for challenge and ignore the costs that come from income and tenure mixing and higher densities. They note that spatial segregation by income is highly persistent, and greater integration goes against historical trends not with them. They concluded that there is little evidence of the benefits that come from mixed neighbourhoods and that these policies ignore some of the costs (for example, the loss of retail services targeted at the poor). They suggest more research is required to understand the implications of the policies, implications/effects need to be disentangled and thought needs to be given in thinking through the implications for the functioning of a city.

Cheshire et al (2014) suggest that the best government commissioned evaluations of recent area based initiative urban regeneration publications included DCLG (2010a and DCLG 2010b). They considered that successful regeneration is about achieving additional economic, social and environmental outcomes that would not otherwise have occurred (or which would have been delivered later or of a lower quality) whilst also representing good value for money for the public investment.

DCLG (2010a) assigned monetary values to each net additional output. These annual streams of benefits were discounted to a present value (using a discount rate of 3.5%) and divided by the annual public expenditure to generate the cost benefit ratio.

Industrial and commercial property regeneration activities included land reclamation, site servicing and the facilitation of new industrial and commercial floor space, whether directly or in conjunction with the private sector. These activities regenerate by removing blight, enable brownfield land and greenfield sites to come forward for development and accommodate industrial and commercial floor space and business activity. The DCLG (2010a) approach to valuing the benefits of industrial and commercial property regeneration assumes this accommodates new or existing businesses and the creation or retention of jobs which in turn supports gross value added (GVA).

The valuation of housing growth and improvement was identified as one of the more challenging areas of the DCLG (2010a) valuation due to the diversity of activity types and associated logic chains and the fact that, in valuation terms, different activities have the potential to generate production benefits for the economy as well as consumption benefits for the direct beneficiaries and society at large. These are presented in Table 5.2.

Figure 5.2: Housing growth and improvement – main types of benefit and dis-benefits

	Activity Type		
	New Build	**Acquisition, demolition and new build**	**Housing improvement**
Key consumption benefits			
Private benefit - Value uplift	Planning permissions for new housing increases land values – the stream of private consumption benefits from housing (shelter warmth etc.) are capitalised in the asset value		Improvement to houses will tend to increase the asset value reflecting a gain in private consumption benefits
Society Benefit - Loss or gain of amenity	Change in land use (e.g. from greenfield to housing) results in a loss of amenity value to society as a whole	Removal of derelict properties results in an amenity gain to society as a whole	N/A
Society benefit– reduced carbon emissions	Regeneration interventions may support new homes with reduced level of CO2 emissions compared to market delivery	Potential energy efficiency gains for replacement stock if this is more energy efficient than the stock it replaces	Potential reduction in CO2 emissions from improved energy efficiency if this is a component of the refurbishment activity
Private benefit– Improved health, security and warmth	N/A – no material gain, except where material differences through additionality relating to security (and potentially long-term care via Lifetime Homes)	Potential gain where inferior stock is replaced with modern housing stock	Gain for refurbished stock (e.g. Decent Homes or other retrofit activity)
Key production benefits			
Employment enabled by the regeneration activity	Particularly in housing growth areas (but also applicable to all new housing activity) supporting employment growth through increase in labour supply	Potential gain where replacement stock seeks to deliberately re-profile housing choice (quality, type, tenure) to support economic development	Less likely, but potential gain where material improvement in quality, type or tenure explicitly to support economic development.

Source: DCLG (2010a)

DCLG (2010a) suggested a potential approach for establishing the value to society of new housing which, for those dwellings which are net additional (i.e. genuinely unlocked by a regeneration intervention), takes the private betterment value represented by the uplift in land values arising from a planning permission for housing development. The uplift is the value of the land in residential use with planning permission minus the value of the land in its existing use (e.g. agriculture, or industrial or commercial use) minus the external impact of the housing development, represented by the loss or gain in the amenity value of the land compared to its existing use.

Other external factors and costs may need to be taken into account such as in transport-related contexts. This benefit can or should be claimed on a recurring basis. This is because the future stream of private benefits is already capitalised in the property value and the recommended source of evidence on external impacts already expresses the different amenity values in perpetuity.

Table 5.3 presents the results of DCLG's (2010a) cost benefit analysis of regeneration activity in the 2009/2010 and 2010/2011 financial years.

Table 5.3: The cost benefit ratios derived by activity type and using average unit costs

Activity Type	Evaluation Basis	Cost Benefit Ratio	
		Central	Cautious
Industrial & commercial property	Product benefit – GVA	10.0	5.8
Residential			
New build housing	Consumption (betterment) & production benefits (GVA)	2.6	1.7
Housing improvement	Consumption (betterment) & social benefits	2.0	1.3
Acquisition, demolition & new build	Consumption (betterment) & visual amenity enhancement	5.5	3.7
Neighbourhood renewal	Consumption benefits: value transfer from NDC evaluation	3.0	3.0

Source: DCLG (2010)a

All forms of regeneration activity resulted in ratios in excess of 1.0 indicating the benefits exceeded the costs.

Tyler et al. (2013) adopted a similar approach in analysing the performance of British regeneration entities. They suggest that one of the reasons there is a limited amount of literature published on the aggregate net benefits of regeneration initiatives is the wide range of different types of initiatives undertaken, the challenge of measuring benefits which accrue over a long period of time and ensuring benefits are not double counted. The regeneration benefits can include creation of jobs, improvements to community health, reduced crime and improved quality of housing.

Tyler et al. (2013) suggested the following steps in accessing the performance of a regeneration programme:

- Identify how the urban policies (redevelopment/regeneration initiatives) are expected to bring about change;
- Select those economic, physical and social and environmental indicators that are likely to be impacted by the different initiatives and produce a baseline position that can assist in developing a counterfactual position from which to measure the quantum of change; and
- Establish the volume of additional outputs that a unit of public expenditure on urban regeneration initiatives produces in an urban area by main output type and then assign a value to these.

Table 5.4 presents their estimates of Tyler et al.'s (2013) cost benefit ratios of different regeneration types.

Table 5.4: Cost benefit ratios

Activity Type	Valuation Basis	Cost Benefit Ratio	
		Central	Cautious
New build housing	Consumption (property betterment) & production benefits (GVA)	2.8	1.9
Housing improvement	Consumption (property betterment) & social benefits	2.0	1.3
Acquisition, demolition & new build	Consumption (property betterment) & visual amenity enhancement	5.7	3.9
Neighbourhood renewal	Consumption benefits: value transfer from NDC evaluation	3.0	3.0

Source: Tyler et al (2013)

These ratios were similar to those analysed in DCLG (2010a). Tyler et al. (2013) suggested that it was important to use context specific data whenever it was available at the local or neighbourhood level where the regeneration activity was taking place as the market values (and thus the resulting cost benefit ratios) will be highly sensitive to factors such as supply, demand, scale, type, quality and the sectors and occupations of the employment opportunities created (in the case of earnings or GVA).

Beatty et al. (2010) assessed the value for money of the New Deal for Communities policy in England. Their assessment of the impact of the policy included the counterfactual (what would have happened in the absence of the policy), the confounding problem (accounting for the impact of other policy interventions), the contextual (different areas operate in different economic and social conditions), the halo effect (benefits can spill over into adjacent areas) and the combinational issue (assistance is delivered in different packages).

They considered two options for assessing the monetised benefits of the programme. Their first approach assessed all people related benefits (education, worklessness and health) but only satisfaction with the area to monetise place related net additional impact. Their second approach used a different approach to assessing the place related benefits with a number of other indicators. They used shadow pricing as the main mechanism to estimate the unit values of the benefits for core indicators. A shadow pricing method determines the compensating change in income that would produce an equivalent change in quality of life as would change in a given outcome.

The results of Beatty et al.'s (2010) analysis are presented in Table 5.5.

Table 5.5: Cost benefit assessments

	Option 1 (million GBP)	Option 2 (million GBP)
Monetised net additional outcomes	8,657.6	5,360.8
Funding	1,711.7	1,711.7
Difference	6,975.9	3,649.0
Benefit Cost Ratio	5.1	3.1

Source: Beatty (2010)

Under both approaches, the benefits exceeded the costs associated with the programme.

Greenwich Peninsula provides an example of a regeneration project undertaken by the Department of Communities and Local Government (DCLG) in the United Kingdom. English Partnerships was responsible for delivering the regeneration on behalf of DCLG. Greenwich Peninsula was once the site of a large gas works. English Partnerships undertook a significant amount of decontamination and remediation work and invested in the provision of transport links and infrastructure. The site had a land area of approximately 69 hectares.

English Partnerships developed a master plan for the site which envisaged a new urban quarter based on the principles of sustainable mixed use, high density and high environmental quality. Goals over the 20 year regeneration programme included building 10,000 new dwellings, of which 38% were to be affordable, delivering 343,600 square metres of commercial space and 33,750 square metres of retail space and maintaining the Millennium Dome (since renamed O2). In addition, the project was to make contributions towards a range of community benefits including new secondary and primary schools, school playing fields, child care facilities and a new health centre.

The total cost of the regeneration project was estimated at five billion pounds over the life of the project. To progress the regeneration project, English Partnerships entered into an agreement with a private sector consortium (Meridian Delta), which was finalised in 2004. Meridian Delta was a joint venture between Lend Lease Europe Holdings, Quintain Estates and Development (Quintain already owned some sites in Greenwich Peninsula, which were to be added to the overall regeneration project) and AEG Europe was also responsible for the redevelopment of the O2 arena and waterfront area.

English Partnerships invested 225 million pounds in remediation work, transport and infrastructure between 1997 and 2004. The return / payment by the private consortium to English Partnerships for the land was agreed based on the financial performance of the regeneration project whilst still meeting the various agreed targets.[10] The projected financial return (based on an 8.5% discount rate) to English Partnerships from the deal was originally calculated on a payment of 216.4 million pounds. NAO (2007) estimated that the actual final return will be 45 to 60 million pounds lower than the original 216.4 million pound estimate. No additional updates on the performance of the project have been published since NAO (2007).

Hong Kong developer Knight Dragon subsequently invested 500 million pounds into the project in June 2012, buying out Lend Lease to take 60% of a joint venture called Greenwich Peninsula Regeneration with regeneration specialists Quintain. This followed an agreement between London Mayor Boris Johnson and Communities and Local Government secretary Eric Pickles to release public land to “kick start” the long-stalled project. In August 2013, Johnson and the then Greenwich leader Chris Roberts celebrated final planning consent being given for 3,000 of the 10,000 residential units. Three months later, Knight Dragon bought full control of the site for £186 million. The history associated with Greenwich demonstrates the long time frames and challenges associated with the profitable development of large brownfield sites.

Squires et al. (2015) completed three case studies examining regeneration projects in the UK, Germany and the Netherlands. Table 5.6 provides a summary of the three projects.

Table 5.6: Pan European regeneration projects

Regeneration Project	Total capital cost	Developer	Commenced	Type	Progress
Battersea, London UK	8 billion GBP	Treasury Holdings	2006	Mixed use	Receivership in 2011
Leipziger Platz, Berlin, Germany	600m euro	High Gain House Investments	2012	Mixed use	Completed
Lammenschans, Leiden Netherlands	Not available	Multiple private developers	2013	Mixed use	Underway

Source: Squires et. al. (2015)

[10] Like most of the regeneration partnerships, the full details of the project agreement were commercially confidential.

Squires et. al.'s (2015) comments on each of the projects include the following:

- Battersea regeneration project has seen a succession of ownerships. Treasury Holdings was an Irish development company which brought the site for 400 million GBP in 2006. This organisation was the first serious contender to take on a highly complex project regenerating the former power station to a mixed-use development. Treasury Holdings went into liquidation in 2011, and the project was subsequently sold to Bestia (a Malaysian consortium of developers). The new owners are planning to develop the project in phases over the next 10 to 15 years. Bestia's intention is to complete the first phase of the development, repay their bank debt and regenerate a profit for their investors in the first five years of the project;
- Leipziger Platz is located close to the Brandenburg Gate and is well served by public transport. The mixed-use development included 4,000 square metres of office space, 76,000 square metres of retail space, 260 residential units and a 12,000 square metre hotel. The project included the largest retail development in Berlin. The project was successfully developed due in part to the high level of pre-let tenancies prior to the developments commencement (effectively reducing/managing the project risk) and its excellent location within the city; and
- Lammenschans regeneration project was undertaken using a different passive municipal land development strategy. The local authority developed a development strategy for the area and subdivided it into different building envelopes to be redeveloped by private developers and landowners within the planning rules they developed. The redevelopment of the area involved developing the site into a mixed-use area with schools, housing, office and retail space, industrial uses and public amenity. This approach involves the owners of the land within the development area exchanging their rights to a self-governing regeneration body to enable the re-parcelling of the land into suitable building plots. The temporary transfer of land rights involves cost recovery and sites are offered back to the owners.

Kelly (2011) analysed the performance of HafenCity regeneration project in Hamburg development sites owned by the UDA at below market values to ensure their wider objectives are met. This implies an implicit subsidy to achieve the outcomes required. The majority of the investment comes from private investors which will invest around EUR 8 billion in HafenCity land and buildings acquired from HafenCity Hamburg GmbH. The urban sites in HafenCity are the property of Hamburg. The proceeds of sales of building sites (around 50 % of the area) are used to finance infrastructure, roads, bridges, promenades and parks as well as relocation of businesses, site clearance, planning, acquisition of investors and communication. The goal of HafenCity development is that revenues from special assets should balance out with the costs of development in the end, to achieve high urban quality but not to generate any kind of deficit. Since development costs run ahead of sales of land, loans for interim financing are taken up at local authority credit conditions. (source HafenCity.com).

Neto et al. (2014), in their analysis of Porto's SRU (Portugal) effects, concluded that they had a substantial impact on the community, generating a new urban dynamic. However, its operations were not financially sustainable, as it calls for permanent investment of large sums of public funds to achieve the market inventions they desire. They suggested an approach which established real estate funds to leverage additional private sector investment as more sustainable. However, these strategies were reliant on market performance to be successful. Residents in the area saw the SRUs operation as focused on the development with goals set by well-meaning individuals but lacking the capability to address the social problems within the community and/or the amount of affordable housing. The SRU achieved some of its outcomes by reducing the issues associated with fragmented ownership structure and issues around relocation of tenants during the redevelopment period. Although the SRU had its failings, the authors consider that the counterfactual (if the SRU had never been created) would have been significantly worse in terms of the level of economic activity and the physical state of the buildings.

Risk management

Local authorities (UDAs) are well positioned to manage the risks associated with the initial stages of the development to make the subsequent development of sites more attractive to the private sector. These can include measures such as development fee waivers, subsidised insurance and property tax abatements (Bartke, 2013).

The All Party Urban Development Group (2010) considered the way in which the risk is distributed between the public and private sector organisations within a development as having an impact on the level of returns generated over the term of the regeneration project. They considered the following:

- The public sector has a role by reducing the upfront risks for the private sector by taking on more of the site acquisition and infrastructure costs. In return, the private sector participants would need to shift their goals away from short-term profits and reassess the return required to take into account the change in the risk return profile;
- Minimising transaction time and costs can also assist in managing risk;
- Planning procedures should also be considered;
- Allowing phased development which can reduce risk by staging larger developments sites though the planning system. This would allow in some cases the rate of development matching the fluctuations in demand over a property cycle;
- Reducing the size of the overall development from large expensive and complex schemes to smaller more manageable projects;
- Tailoring and reprioritising projects to local need. This needs to encompass the requirement that housing need is addressed rather than the best option driven by a financial model; and
- Public sector regeneration entities should enter joint ventures and equity sharing arrangements with the private sector as a means of sharing the risk and the longer-term rewards from projects.

Leather and Nevin (2013) examined the operation of the Housing Market Renewal Pathfinder Programme in England over the period 2002 to 2010. The programme aimed to address high vacancy rates and low house prices in inner-city and declining industrial areas of northern and Midlands cities. The programme achieved some success in generating new housing supply in areas where private developers had previously been reluctant to invest, but had only limited impacts on high vacancy rates. House prices rose sharply in the programme areas but also in similar areas outside the scope of the programme, driven by wider market-led pressures, including increased demand arising from international inward-migration and a boom in speculative investment. With a change in government in 2010, the programme was abruptly wound up.

Squires et.al. (2015) concluded that local authorities were well positioned to reduce the risks associated with regeneration projects and consequently increase their attractiveness to private sector investors/partners. These measures include development fee waivers, subsidised insurance and property tax abatements. Hoppenbrouwer and Louw (2005) cited in Squires et al. (2015) suggested single use regeneration projects were more risky than mixed-use schemes. Analysis by Pivo (2008) concluded that mixed-use regeneration projects had a lower level of risk per unit of return and offered greater opportunities for diversification within investment portfolios than single use schemes.

Nappi Choulet (2002), in her analysis of regeneration projects in France, concluded that regeneration projects are typically of longer duration and can require larger upfront capital investments than other comparable property investments and consequently need a higher appropriate rate of return to reflect their risks and the uncertainty associated with their returns. She noted that institutional investors are often risk averse and tend to restrict their activity to cities and markets with better investment fundamentals.

Huston and Darchen (2014) suggest that investors who finance urban regeneration look for security and adequate returns to compensate them for risk exposure. In practice, effective housing demand is underpinned by demographic growth, jobs and income derived from work. This means regeneration proposals which are:

- Institutionally and legally robust;
- Inherently attractive and competitively priced for the market;
- De-risked by government support, infrastructure or strong growth prospects; and
- Well-structured projects in under-priced markets with growth and infrastructure prospects.

5.2.2 Australia

Urban regeneration in Australia is typically driven by state owned entities (government owned development corporations). These have been operating for a significant period of time although their focus and direction has changed over the decades. Spiller and Khong (2014) note that government owned development corporations (GODC) were established to operate like developers undertaking projects across diverse geographies and have also been created with the development of specific sites in mind and retired from service on the completion of these projects.

Spiller and Khong (2014) also note that GODCs have been established in most Australian jurisdictions and mandated from across the political spectrum, although they can be viewed with suspicion by conservative politicians. They note there has been continual evolution within the sector with the most recent changes including the Liberal/National Queensland State Government abolishing the Urban Land Development Authority, while in Victoria, the Conservative led Government changed policy. VicUrban has stopped development of greenfield land and subsequently been renamed Places Victoria. Table 5.7 presents a summary of Australian GODCs.

Table 5.7: Australian government owned development corporations.

GODC/State	Year Established	General Purpose (GP) or Site Specific (SP)	Flagship Projects	Net Assets
Urban Growth NSW **/ NSW**	Established 1975, corporatised in 2002, commissioned with a revised charter in 2013	GP	Central to Eveleigh revitalisation, Green Square Town Centre Oran Park Town Centre	$351m (2012)
Sydney Harbour Foreshore Authority / **NSW**	1999	SS	Darling Harbour Live project	$1,073m (2012)
Barrangaroo Delivery Authority / **NSW**	2009	SS	Redevelopment of 22 hectares of disused container wharves on a prime Sydney site	Not Known
Places Victoria / **Victoria**	2011	GP	Melbourne docklands / revitalising central Dandenong	$98m (2013)
Renewal SA **/ South Australia**	2012	GP	Redevelopment of the former Mitsubishi site at Tonsley Park Redevelopment of Royal Albert Hospital site	$8.3m (2012)
Economic Development Queensland **/ Queensland**	2013	GP	Commonwealth Games Village	Not available
Metropolitan Redevelopment Authority **/ West Australia**	2011	GP	Elizabeth Quay Perth City Link Project	$134m (2012)

Source: Spiller and Khong (2014).

The historical rationale for the use of GODCs as a policy instrument was to address:

- Underdeveloped market competition in greenfield land and housing development, leading to supply shortfalls and exploitative consumer prices;
- A lack of innovation within the private land and housing development sector on such matters as dwelling mix, transit orientation, form of tenure such as affordable rental housing, water sensitive design and energy sustainability; and
- The inability of the land and housing market to overcome barriers to major development projects due to blighting, land fragmentation, contamination from former industrial usage and concentration of land ownership amongst government organisations.

Table 5.8 presents a summary of the GODCs' financial performance over the last five years.

Table 5.8: Australian government owned land organisations profits.

	2011	2012	2013	2014	2015
Urban Growth NSW Development Corporation	$0.4m	$18.0m	$20.3m	$12.0m	$8.4m
Sydney Harbour Foreshore Authority	$33.7m	($70.7m)	$96.7m	$36.2m	$32.0m
Barrangaroo Delivery Authority	($20.2m)	($37.5m)	$81.3m	$40.1m	($51.3m)
Places Victoria	$34.9m	($18.9m)	($191.9m)	$43.5m	$25.2m
Renewal SA	-	$7.2m	$94.2m	($39.2m)	($122.8m)
MEDQ- Queensland	$3.4m	($6.2m)	($11.3m)	$20.3m	$71.7m
Metropolitan Redevelopment Authority - Perth	-	($17.7m)	($8.6m)	($49.3m)	($19.9m)

Source: Annual Reports

The financial performance from these UDAs presents mixed results that to some extent reflect changes in state government policy impacting on strategic goals, market conditions and wider organisational goals and objectives. There has been significant restructuring of the sector driven by changes in state governments. Whilst the performance of these parent organisations has been mixed, their performance does not mean that some of the projects they were involved with were unprofitable. Rather, it demonstrates their overall performance, taking into account all their goals and objectives.

"Financial risks are associated with any commercial venture. Although it has since recovered under new management, Places Victoria recorded large losses in 2012-13. The company had not been operating in a commercial manner, was overstaffed and had acquired non-commercial sites. Mitigating such a risk requires that a UDA operate in a commercial manner, with strong governance and leadership" (New Zealand Productivity Commission, 2015, p 294).

Wood and Cigdem (2012) under took an analysis of the performance of individual neighbourhood renewal/regeneration projects in Victoria, Australia. Their approach related the financial benefits of the programme to total state government capital, grant and administration costs associated with individual programmes. They produced two outputs. First, they calculated a cost benefit ratio for each neighbourhood renewal area which provides a measure of whether the returns are large or small relative to the investment. They also provided a systemic analysis of how the differences in each project (between capital and other contributions) may impact on the performance of each project.

Wood and Cigdem (2012) used a quasi-experimental approach to evaluate the relative costs and benefits of seven of Victoria's urban renewal programmes. They used quantitative techniques to measure the increase in housing values resulting from the renewal programmes and compared these to the cost to the government, the logic being that, if the renewal programmes yield benefits to the community such as improved urban environment, and reductions in crimes and anti-social behaviour the demand for housing in the community would increase and result in increases in value relative to the surrounding areas. Effectively the benefits, if there are any, generate house price premiums. Their analysis used a control sample of locations outside the renewal area, which was similar in nature to provide a counterfactual comparison of prices with which to compare the trends within the renewal locations.

Wood and Cigdem (2012) suggest that this approach to analysing the benefits of urban renewal programmes has a number of attractive attributes:

- The quantitative analysis is based on secondary data sets with proven uses in policy analysis (Goodman et al., 2010);
- It is much less costly to implement than survey based evaluations; and
- While the US Department of Housing and Urban Development (HUD) has made extensive use of this quasi-experimental approach in evaluations of housing programmes including urban renewal (Santiago, Glaster & Tatian, 2001; Santiago, Galster & Tatian, 2004; Castells, 2010), this proposal was one of the first Australian applications of the approach.

The results of Wood and Cigdem's (2012) analysis is summarised in Table 5.9:

Table 5.9: Cost benefit analysis results

NR Site	Cohort	Aggregate benefits (2011 Prices)	Total expenditure (2011 prices)	Benefit/cost ratio	Capital spending as a % of all outlays
Ashburton	2003	$182.1m	$14.4m	12.6	67%
Hastings	2006	$65.8m	$8.0m	8.2	68%
Broadmeadows	2003	$55.1m	$16.3m	3.4	73%
West Heidelberg	2006	$17.4m	$10.2m	1.7	68%
Maidstone	2002	$51.2m	$57.0m	0.9	94%
Werribee	2003	-$90.7m	$11.8m	-7.7	59%
Sub Total	NR	$280.9m	$117.7m	2.4	74%
Doveton	2003	No statistically sign benefits	$12.0m	-	66%
Total	NR	$280.9m	$129.7m	2.2	71%

Source: Wood and Cigdem (2012)

The benefits tend to be bigger in renewal areas where the housing stock is larger and has higher value. Areas within higher concentrations of public housing which are subject to the renewal programme also tend to magnify the benefits of renewal.

Newton et al (2011) in their investigation of the potential models for greyfield regeneration in Australia noted one significant reason cited for this not happening has been the inability of the housing market to provide for higher-density housing which can be delivered at a price point that makes it a viable alternative to conventional detached housing. Some argue that government policy has failed to understand the price drivers that influence the public's purchasing decisions regarding housing and that this failure has resulted in housing intensification being concentrated in expensive inner urban areas.

Newton et al. (2011) suggested that economic viability is fundamental to the process of greyfield redevelopment. Precinct level redevelopment where 10 allotments are partially aggregated offers potential cost reduction through economies of scale. However, there are considerable obstacles to a precinct level consideration of development. The primary barrier to the precinct approach in current market conditions is the prohibitive holding cost as developers wait to acquire an adequate number of blocks in the same vicinity. The holding period would only be exacerbated by the lengthy and more complex nature of the planning process as compared with single allotment subdivision redevelopment. Even if dispersed lots can be assembled and planning approval acquired, there are operational barriers such as the management of occupational health and safety oversight across several sites and the economic disincentives of repeated cross-over, temporary power and protection costs as compared to the single outlay required on a large aggregated site.

The Australian experience is not dissimilar to the opportunities in the faster growing cities in New Zealand. However, there are a number of key differences. These include that, in some states, UDAs have the power of compulsory purchase and have the ability to streamline and establish new planning rules and regulations.

5.2.3 United States of America

Context

There are numerous different structures and types of regeneration models and policies used in the United States of America. Over the last five or six decades, regeneration entities have been formed to improve housing market outcomes where the private sector alone has not been able to achieve the required results. Problematic issues have included the fragmented ownership structure within the urban environment, crime related issues, contamination of sites from past industrial usage and quality of the housing stock. State and local government have in the past played a leading role in establishing organisations to deal with these challenges. In some cases, local communities have been the driving force behind the impetus to revitalise an area.

Some common features associated with the redevelopment entities include:

- A legally recognised entity that is neither in the public sector nor the private sector, which is charged with developing a vision for an area in question, gaining buy in from all relevant stakeholders and overseeing smooth rollout of implementation plans;
- A cocktail of subsidies and incentives including but not limited to access to tax exempt bond funding, discretionary property tax breaks, and access to purpose specific government grants and tax breaks related to affordable housing and local employment development; and
- Arrangements to capture at some point some of the value uplift from the regeneration project and redistribute it in various community benefits like public domain improvements and affordable housing.

Source: Spiller and Khong (2014, page 11)

In all cases, the regeneration organisations have been established to undertake projects that cannot realistically be undertaken by a private sector developer. Regeneration corporations such as community development corporations (CDCs) are seen as a vehicle that provides the time and space to carefully think through what vision should be developed for an area. Also in most cases, they are set up as "not for profit" corporations designed to operate in a business-like manner (albeit with significant subsidies and incentives) but without shareholders demanding a dividend. However, they are expected to meet a range of other performance bench marks.

Spiller and Khong (2014) considered that the three key factors impacting on the entities effectiveness were:

- The ability of the board to act as both sword and shield – that is, to protect the vision once it has been established;
- Skills of the executive leadership and allowing them to focus on the long-term vision; and
- Financial leverage including access to vested assets, property tax breaks, tax exempt bonds and access to tax advantaged investment.

Regeneration structures are flexible and typically can be adapted to a projects individual circumstances. They are typically focused on the redevelopment of a single site or area, which provides a clear focus for management. In addition to this style of regeneration, the federal government has subsidised/funded the renewal of public housing stock. For example, HOPE VI is a plan by the United States Department of Housing and Urban Development with the objective of revitalising/redeveloping public housing projects in the United States into mixed-income developments.

Performance

Zeilenbach and Voith (2010) examined the impact of HOPE VI[11] redevelopments on the areas adjacent to the redevelopments. They investigated five case studies (two in Boston, one in Massachusetts and two in Washington) and examined the change in property values, violent crime patterns and household incomes in the surrounding suburbs after the redevelopment had commenced. The public housing which was being redeveloped was in poor physical condition and functionally obsolete. They concluded that, for the most part, the redevelopments had a positive significant impact on economic conditions in the surrounding suburbs. The extent of the spill over was in part dependent on the location and the market dynamics of the surrounding communities.

The economic impact of the HOPE VI redevelopment tended to be greater in communities where there were other development pressures and existing stable institutions (such as educational operations). In locations where these were absent the impact of the programmes was less pronounced. Factors such as location near a job centre, good transport infrastructure and local retail and other amenities also improved the impact of the redevelopment programmes.

[11] HOPE VI is a plan by the United States Department of Housing and Urban Development with the objective of revitalizing/redeveloping public housing projects in the United States into mixed-income developments.

Zeilenbach, Voith and Mariano (2010) examined the economic impact of the HOPE VI programme in six cities including Boston, Charlotte, Kansas City, San Francisco, Seattle and Washington DC. They found that, despite the significant costs associated with the HOPE VI programme, the wholesale redevelopment of distressed public housing complexes generates significant benefits. In most cases, the public welfare benefits exceed the net public costs of redevelopment. In all cases, the redevelopment of the public housing properties sparked considerable additional economic activity in the region. The site improvements contribute to an increase in the local tax base and thus additional revenues for local governments. The effects of redevelopment are far from uniform. The characteristics of both the site and the surrounding community largely determine the type and breadth of the HOPE VI impacts. The location of the redevelopment project matters, as do the strength of the local real estate market and the presence of other development pressures.

Turner et al. (2007) investigated the costs of maintaining distressed public housing developments with the potential costs and benefits of effectively renovating or replacing them under the HOPE VI programme. They concluded that investing in demolition and mixed income redevelopment can reasonably be expected to yield dramatically better outcomes than would inaction for the original residents and the surrounding community. The longer-term costs and benefits of revitalisation/renewal of the housing stock vary significantly depending on the characteristics of the original development. Smaller developments in isolated locations had a small impact and generated fewer benefits. Projects which had low vacancy rates at the start of the development also tended to have higher costs. Under some circumstances, they found the costs of redevelopment greater than the ongoing costs of not redeveloping. Locations close to low poverty neighbourhoods yielded better returns than those that were further away. In addition, redevelopments which had higher vacancy rates prior to the development had better returns than those with lower vacancy rates.

Econsult Corporation (2012) investigated the economic and fiscal impact from new construction and rehabilitation projects undertaken by CDCs using extensive input-output modelling. In total the City of Philadelphia spent 2.1 billion US dollars between 1992 and 2011. They estimated this resulted in a $68.0 million increase in property values that would not otherwise have occurred and a $10 million annual increase in property tax revenues. These benefits are less than the overall cost. They noted that there were other benefits generated such as improved health outcomes and lower levels of violent crime. However, they did not quantify these benefits.

Cowan, Rohe and Baku (1999), in investigating CDC performance, addressed one goal of CDCs – that of generating capital investment and increasing economic capital in their neighbourhoods as their measure of success. They examined the results of 204 NeighborWorks annual surveys between 1990 and 1995.

They concluded that larger CDCs, measured by average investment, have higher efficiency scores. Organisations which had a multifocal development approach also tended to be more successful as they also tended to be larger CDCs. CDCs which separated the development functions from their community generating functions were also more efficient. The length of tenure of senior executives within the CDC also increased the efficiency score.

Bratt and Rohe (2004) examined the performance of CDCs by focusing on three types of organisational change. They examined CDCs that had failed (went out of business), downsized or merged. They used a systematic case study approach to their study. They selected two case studies from each category and examined the reasons for organisational change. The results of their study are summarised in Table 5.10.

Table 5.10: Case study summary

CDC	Change Type	Reasons for the Organisational Change
Wisconsin	Failure	Soft housing demand, inadequate tenant screening, personnel problems, funding issues
Whittler	Failure	Poor quality housing stock at inception, inadequate initial funding, inadequate staff
Oak Cliff	Downsizing	Inadequate staff, lack of community support, reduction in funding, loss of key development contract
Advocate	Downsizing	Inadequate staff without the right skills, poor communication particularly with funders, leading to a lack of funds
Albina	Merger	Soft market conditions, lack of funds, small size
Salvic Village	Merger	Lack of funds, small size

Source: Bratt and Rohe (2004)

Bratt and Rohe (2004) made a number of observations about CDCs in terms of their ability to withstand contextual and organisational challenges that may threaten their viability. These included:

- Actively working to develop trust between all parties involved in the community redevelopment;
- Actively working with the people living in the community and understanding their needs;
- Involving CDCs in the decisions that have an impact on their operations particularly policy changes that impact on their funding;
- Creating realistic performance standards;
- Ensuring ongoing staff and board training/professional development;
- Developing appropriate strategic plans;
- Diversifying activities in terms of the location of activity, types of occupants targeted and the sources of funding;
- Connecting with occupants on an ongoing basis;
- Developing good communication skills and paying quick attention to problems as they develop; and
- Involving all stakeholders in key decisions around organisation change and taking charge of the process.

They concluded that although these issues will not ensure success of a CDC, they provide indicators of organisational distress and consequently should be monitored to minimise the downside risk of failure.

Stoecker (1997) cites the antagonistic relationship between private sector profit oriented capital investment and the community as a factor limiting CDCs performance. Capital is less willing to invest in neighbourhood redevelopment that maintains neighbourhood space as use values because that may limit profit either by destructive investment or disinvestment the community suffers. In addition, CDC activity typically focused on markets which private sector developers deemed unprofitable or too risky. Thus, it was not surprising that the foreclosure rate for not for profit developers was four times higher than for profit developers. CDC failures were seen as a result of being grotesquely underfunded and working in disinvested communities requiring massive capital infusion.

Stoecker (1997) considered CDCs were operating in a contradictory environment. First, funding organisations evaluate their proposals on their economic acceptability rather than their ability to service the community needs embodying the profit principle. Second, CDCs must often choose between acting quickly enough to take advantage of fleeting funding opportunities and practising more cumbersome democracy by involving the local community in decision making.

Stoecker (1997) considered focusing on organising community led planning as a means to promoting urban renewal style redevelopment while partnering to do the actual physical redevelopment as a means to maximising the opportunity for success. When communities are not organised first, development is less likely to succeed. This approach serves a number of purposes. If done correctly, it builds a sense of community, it educates residents on what resources and threats exist in their neighbourhood, it builds community power to determine the kinds of development they want and can reduce the level of speculation and it also helps residents plan for their ideal without regard to the limitations imposed by officials.

Stoecker (1997) considered large multi-local CDCs as more successful than small single community focused CDCs. He considers the reasons for their greater success as having more capital capacity, more political capacity and more collective talent to conduct physical redevelopment that can outpace community deterioration.

Weicher (1976) examined the fiscal profitability of urban renewal schemes at a local level and concluded that they were generally profitable to the cities undertaking it. However, the profitability in a USA context is reliant on increased property taxes generated from the increase in values. He concluded that for the projects to be fiscally viable the combined value of land and existing derelict buildings needed to be less than the value of the land once the buildings have been cleared and any change in land use zones imposed. He calculated the rate of return on council investment of 3.1% for large cities and 2.9% for smaller councils. These assessments included the loss in value due to the demolishing of the derelict buildings, the costs of clearing the sites, the land values after the sites were cleared and the reduction in costs associated with the provision of providing municipal services generated by the replacement of the derelict housing stock.

Messner (1968) conducted a cost benefit analysis of urban redevelopment in Indianapolis. He included the increase in land values as a measure of the benefits associated with the redevelopment, and although he acknowledged there were wider social and health benefits, he did not calculate their monetary value. He also suggested there were hidden costs, for example, residents who were forced to relocate out of the redevelopment area typically ended up paying higher housing costs and as a consequence were likely to be less well off. Overall, the costs significantly outweighed the benefits.

The American UDA environment is very different from the current opportunities in New Zealand. Their market is reliant on a series of tax benefits, subsidies and grants based on the uplift in land values within redevelopment areas to support not for profit redevelopment activity.

5.3 What factors have impacted on their performance?

The performance of UDAs is influenced by a wide range of factors. The objective of this section of the report is to discuss the issues that influence the performance of UDAs in the different environments and policy settings in which they operate. Obviously, these factors need to be read in the context of their goals and objectives. Hence, this section of the report examines the common threats identified in the published reports and articles.

This section of the report needs to be read in the context of how the performances of most UDA like entities are assessed. Given the limited analysis of the economic and financial performance of UDAs, "successful" performance is typically considered as meeting a range of economic, social and environmental outcomes measured by an agreed series of variables.

DCLG (2006) suggested that the challenges faced by UDAs included:

- Variability of central government thinking, policy guidance and financial provision over a long-term programme – 'changing the rules';
- Impact of prevailing economic conditions on pace of delivery;
- Land assembly is obviously a problem which has to be overcome before any large-scale development can be delivered;
- Balancing the need for strong and effective leadership in delivery with that for effective public participation;
- Balancing financial performance against other delivery targets;
- Establishing effective working relationships between private sector delivery partners and public sector leaders/co-ordinators (which was much less significant in the New Towns than it will be in the growth areas);
- Finding a mode of working with and between public sector delivery partners, especially those with wider jurisdictions than just the Growth Areas;
- Attracting high calibre staff to delivery organisations and preventing differences in status between staff in different organisations that might impede delivery;
- Creating a framework to ensure mutual learning between Growth Areas delivery organisations;
- Ensuring positive and effective marketing of growth areas; and
- Transferable lessons from the New Towns.

DCLG (2006) found that transport links (particularly public transport) have a profound effect on the economic success of the development, concluding that the economic environment in which New Towns were operating also had a significant impact on their performance. *"The New Towns were implemented in a period of significant change in terms of economic climate, as well as in terms of attitude towards the private sector's role in development. The second wave of New Towns were implemented in a period of much higher interest rates, a situation that led to severe financial difficulties, and the writing-off of significant debts. From this point of view, the New Towns model itself was not adaptable to change, as the regulations governing the 60-year loans could not be modified. However, the*

Government itself had the power to write off the debts, and in this respect, there was a certain degree of flexibility to adapt to change. Nevertheless, a less rigid financing regime drawn up at the beginning could have avoided the significant deficits that accrued in the second and third wave of New Towns." (DCG 2006, Page 88)

DCLG (2006) identified the key criteria for successful delivery of the overall programme as

- Powerful public sector delivery agencies with a total spatial focus on the New Town area;
- Ability to acquire land early and at existing or close to existing value;
- Unified land ownership;
- More general economic growth conditions in wider regions;
- Ability to attract employment in (or very near) chosen locations;
- Strong and very determined leadership;
- High calibre professional staff with high commitment to delivery and quality;
- Strong commitment to the New Towns programme within central government even through political changes;
- Access to major public finance, especially in early and middle phases;
- Ability to attract and involve private developers on an increasingly large scale; and
- Some flexibility in adjusting delivery mechanisms in different locations (e.g. to secure greater local government involvement).

The strength of the regional economy was seen as a good predictor of the financial performance of a regeneration project. The stronger the growth in the regional economy, particularly when combined with population growth, the higher the probability of the UDA meeting their financial targets. UDAs undertaking property development led projects, like all developers, are exposed to the cyclical nature of the property market. Consequently, they need to adopt appropriate risk management strategies to avoid significant losses over the course of a property cycle, particularly if they undertake large master planned developments.

Turok (1990) noted there were several impacts as government policy changed after the first generation of New Towns and they were placed under increased financial pressure effects. They shortened the time scale in which they were expected to move into surplus and it reduced the ultimate return to the UDA because the share of equity they needed to give up to attract private sector investment was greater. They also restricted the provision of amenities and made it more difficult for the New Town developments to achieve their wider social and economic goals.

In the early 1980s, the Conservative Government sought to accelerate the pace of the sale of the UDA and New Town assets. This was done to maximise sales to reduce public borrowing and to curtail the role of the public sector as a landlord. Although this strategy had some short-term financial benefits, overall, it reduced the financial performance of New Town developments.

Batty et al. (2010), in their evaluation of the New Deal for Communities policy in England, developed a number of lessons for successful regeneration policy. These can be summarised as follows:

- Set realistic targets for regeneration schemes;
- Areas which have experienced the least change may not offer the greatest opportunities to deliver long-term transformation;
- Increasing the proportion of home ownership will dilute the scale of problems within a regeneration area. However, pre-generation residents in social housing schemes are unlikely to be able to purchase new owner occupied dwellings;
- Regeneration time frames should reflect their goals and objectives;
- Continuity in relation to senior staff is associated with positive benefits. Staff need good informal and interpersonal skills;
- Regeneration projects deliver better outcomes when their boards are chaired effectively, focused on strategic issues and provided training for community representatives. Appointing rather than electing people to the board tends to get higher skill levels and deliver better results;
- Regeneration bodies achieved better results when they partnered with social service delivery agencies;
- Schemes which, from the outset, established what the community dimension actually means and set objectives accordingly. Community expectations also need to be effectively managed in terms of what can and cannot be delivered and the degree to which the regeneration benefits can be distributed across the whole community; and
- New generation projects can deliver rental income post redevelopment after the completion of a project. However, the management and maintenance costs of such projects should not be underestimated.

Kelly (2011) suggested in her analysis of overseas case studies that the characteristics of UDAs which increase the probability of success must:

- Give communities more control, which should include genuine community engagement about the future of the neighbourhood;
- Focus on a single project or neighbourhood as this will allow them to better respond to local conditions, build long-term relationships and work towards a clear set of objectives;
- Be independent from local politics and industry lobby interests which can insulate the organisation from the impact of election cycles and changing policy over time;
- Run for long enough to make a difference, as redevelopment projects can easily take up to 20 years to complete; and
- Have the powers and resources to achieve change as the organisation may need to attempt to change market conditions and will need the right resources to

make a real impact, providing planning certainty is important in being able to attract private sector investment into a regeneration area.

Kort and Klijn (2001) in their analysis of public private partnerships (PPPs) in Holland concluded functioning at arm's length from politics plus the tight organisational structures of PPPs were not significant to their performance, rather the use of multiple management strategies was more relevant.

Brooke and Best (2014) suggested several locational attributes when selecting a good opportunity for urban renewal, which included the site's accessibility to infrastructure and the state of the local market in terms of growth in demand. Also, a balance needs to be found between embracing new ideas, new contexts and different ways of living, the desire to preserve historic buildings and the need to satisfy commercial demands. These are the types of factors that need to be balanced between the potentially conflicting interests of developers, existing residents and government. They suggest a key goal for government is to allocate as many risks as possible to the private sector. Typically, the public sector side of a partnership retains certain planning and site remediation risks. Other strategies the public sector can adopt to de-risk the development is to pre-purchase or lease product from the developer within a development, thereby strengthening the covenant between the developers and their financiers. Streamlining planning approval processes can also reduce developer risk.

Ball and Maginn (2005) identified that contributing factors to the success of regeneration projects were local context, ability of the various participants in a regeneration project to work together, the joint adoption of a strategic vision, aspiration to common goals and ability to overcome conflicting interests.

Loftman and Nevin (1995) in their analysis of regeneration projects in the Britain in the 1980s and 1990s which included prestige projects/flag ship projects such as sports stadiums and exhibition or arts centres, concluded that publicly subsidised prestige projects provided relatively little benefits to the low-income households and in some cases made their circumstances worse. Prestige projects, whilst providing a useful mechanism for securing the physical regeneration of fragments of urban areas, also serve to mask the more deep-seated and fundamental social and economic divisions within a city. Prestige projects add to the overall cost of regeneration, and typically, the benefits they generate are lower than the cost.

Weiss (2006), in discussing the need for regeneration incentives, suggested private sector investors will not invest in locations where they perceive market opportunities to be lacking or that the risks are too great relative to the potential payback. In order to make some regeneration projects attractive, government agencies with public policy goals at variance with current market realities must design and provide financial incentives to lure private capital into regeneration areas. If the risks are too high, they must design ways to reduce risk such as underwriting the purchase or lease of stock created, providing subsidised debt at low interest rates.

NAO (2011) suggested that, to ensure the most efficient use of funds, there should be a clear and logical link between the outcomes that are being sought from a regeneration project and the interventions that are developed to achieve these goals. They suggested that this has not been the case in all regeneration projects instigated in Britain. It is important that the desired outcomes are carefully specified, and where they are not, it will be more difficult to arrive at transparent decisions on the prioritisation of projects for funding.

Glossop (2008), in her review of evaluations of housing led regeneration approaches suggested they reveal that a focus on housing alone will not drive economic regeneration. There is limited evidence that area based initiatives had a significant impact on economic development. Programmes that integrated responses to housing, transport, employment and skills development as related problems as well as initiating an integrated response based on building relations between service providers improved outcomes.

Ball's (2004) analysis concluded that Britain's single regeneration budget, at its inception, was heralded as a breakthrough in English urban policy as it consolidated the emphasis on unified regeneration projects in which local authorities and communities played key roles. His analysis focused on empirical evidence of successful London bids from the programme to determine whether it lived up to its claims. Drawing on headline funding and projected output data, he concluded that the programme had disparate aims that were based more on contemporary political issues than on a coherent long-term strategy. Furthermore, the aims of individual projects were often unrealistic, so that monitoring and management fell short of what was planned. He concluded there was a general drift of urban policy from the 1970s towards 'locality managerialism' – a belief that problems of dilapidation and deprivation have predominantly spatial causes and can be tackled through area-based programmes.

URF (2007) suggested the key to Australian redevelopment agencies' success has been their capacity to streamline the planning process and planning approvals in one agency. This combination of planning and development powers gives a continuity and certainty that can make redevelopment authorities very effective delivery mechanisms. In addition, regular and guaranteed funding for the development agency is another key factor in UDAs being able to sustain their activities. In the past, they also had the rights of compulsory purchase as a means of aggregating land holdings.

Newton et al. (2011) identified a number of key viability considerations for a new greyfield development model. The first consideration is planning and approval certainty. Development in the middle suburbs is regulated under ResCode. The setbacks, overlooking rules and neighbourhood character provisions result in considerable difficulty for developers. While variations to ResCode are permitted with council approval, existing residents have substantial input into approval. Large developers need more certainty in the process to be willing to progress a new development model. Tellingly, in the final investigative panel, a developer suggested that some of these issues are better handled in the growth area where much denser development forms are 'pre-approved' and in new subdivisions where new development models are being progressed.

The second key viability consideration is a mechanism for consolidating lots for the new forms of development. Developers suggest that such consolidations may only need to be three to five lots to be viable. The third key viability consideration is the delivery of higher-density alternatives at a price point that is attractive to existing residents of the middle suburbs and non-traditional residents. This requires dealing with the previous two key considerations while also dealing with the cost of construction. They summarised the key viability considerations as planning certainty, consolidation of sites and cost of construction.

Huston and Darchen (2014) investigated regeneration publications and practice in Australia, concluding that each city's situation is unique, so the authors proffer no simplistic development formula. Internally, cities are spatially fragmented. Second, urban regeneration extends temporally and spatially beyond the project site boundaries or deadlines. Diminished property-driven regeneration neglects the social dimensions to sustainable housing or relegates it to an afterthought but community participation is insufficient. Government needs to seed or drive (directly or via incentives) substantive social transformation. Projects supported with credible community social development are less risky, but, in competing for investment funds, local government can rush to approve unsuitable projects.

Mountford (2009) suggests the main problems development agencies can encounter which impact on their chances of being successful includes:

- Confusion about their mission and role – agencies need a clear mission and role otherwise the expectations from stakeholders may not match deliverables opening them up to criticism;
- Weak justification – organisations need a clear reason why they have been created which clearly defines how they will add value and additionality;
- Competition between different development agencies in the same market can cause mixed outcomes due to different visions. Cooperation and focus on key segments by different agencies is key;
- Public service failures in terms of ensuring the key infrastructure is in place and working well is critical to success;
- It can be hard to employ good staff. Having the right mix or resources and good public and private sector skills is important;
- Financial diversification is important, with agencies with multiple/diversified sources of funding being more robust and resilient to change;
- Agencies which own their own assets especially land assets and use them well have greater chances of success;
- Political interference and private sector interference in the operation of development agencies can hinder their performance. Politicians may try and influence development agencies operation for political advantage, particularly around election cycles, hindering their ability to perform. Private sector organisations may lobby and seek privileged access to development sites, grants or contracts, which increases organisational risks and reduces performance; and
- Constant change is a feature of our society today. Development agencies must be able to adapt and change as the market and institutional framework they operate in evolves around them. They need the structures in place to allow them to adapt.

In summary, a number of common themes have emerged from the literature. One key aspect is that regeneration is about people and communities. Property led regeneration should be seen as a means to an end of achieving clearly stated policy goals and objectives and should be used along with a range of other interventions to address social and environmental outcomes. Key learnings from the literature focussing on successful UDAs covering economic, social and environmental outcomes includes UDAs:

- Cannot by themselves reverse regional economic decline;
- Need a clear vision of what they have been established to achieve along with clearly defined appropriate goals and objectives which their performance can be measured against. However, the goals and objectives should be reviewed during the project with key stakeholders (including community representatives) so that, if appropriate, the UDAs strategy can evolve with the locations requirements. The goals should include clear financial goals at an individual project level along with overall UDA performance. These may include positive or negative targets depending on the nature of the UDA and the regeneration projects being undertaken;
- Need to operate in a commercial business-like manner to achieve their goals and objectives whilst taking into account all their economic, social and environmental objectives. This would include undertaking project feasibility studies etc.
- Need to meaningfully engage with the community in the initial stages of the project;
- Need sufficient financial/capital resources to achieve these goals and these can include vested Crown or council land, patient capital and access to working capital over the duration of the project;
- Sufficiently long timeframes to enable the completion of the project (project timeframes are typically 10 to 20 years in duration);
- Need to be able to attract and retain quality governance and managerial staff which includes the skills to partner with the private sector and develop appropriate working relationships with all stakeholders;
- Once established, are free of central and local government political influence and private sector lobbyists. For example, changes in policy impacting on a UDAs objectives part way through a project can have a significant impact on their performance. This can include a change in strategy which shifts their operation away from greenfield development to greyfield infill projects. This could require them to sell partly developed sites and not receive the full benefits of their previous investment;
- Avoid prestige developments (such as sports stadium, exhibition halls, art galleries and conference centres) within the regeneration project as these tend to be unprofitable investments;
- Should consider the transport infrastructure in any programme with the goal of ensuring the communities within the area based initiative can access essential services and employment;

- Should have a goal of creating communities where people want to live by providing or facilitating the development of amenity and services to support the community;
- Should ensure that the regeneration project's focus is not just about housing. Rather, it needs to consider wider issues associated with increasing the opportunity for employment within the targeted area and/or improving the transport infrastructure so residents can get to and from employment;
- Large-scale projects need to consider urban design outcomes to achieve appropriate economic, environmental and social goals;
- Need to try and avoid government (UDA) led gentrification of the target area by ensuring appropriate levels of social and "retained" affordable rental and owner occupier housing is included in the development;
- Ensure the services within the targeted area which target lower income households are retained and they are not priced out of the market;
- Engage with the local regulatory authorities although streamlined planning powers are advantageous;
- Have unified land ownership within their area based initiative or the ability by using the power of compulsory acquirement of property within the regeneration area. The majority of overseas UDAs have these powers, although in some cases, they need to apply to a higher authority to exercise them;
- Projects need to be of sufficient scale to ensure they can achieve appropriate economies of scale. This allows the UDA to work with private sector developers and provide them with certainty over the supply of development sites. Projects which have sufficient scale to allow more than one private sector development partner are also advantageous;
- Effective regular evaluation of performance against the UDAs goals and objectives in a clear and transparent manner. This needs to include all criteria including economic (including financial), social and environmental outcomes;
- Strategy to ensure development risks are appropriately shared with private sector partners and the returns reflect the level of risk adopted by each group;
- Use of patient capital to de-risk the development to make it attractive to the private sector to partner with the UDA to achieve their goals and objectives;
- Single project UDAs which are established to undertake one regeneration project and disbanded on its completion are seen as having some advantages and disadvantages. They are seen as having the advantage of being able to focus on one individual project and engaging with the community better and allowing the UDA to better respond to local conditions, build long-term relationships and work towards a clear set of objectives. Multi project UDAs are able to diversify their risk over a number of projects than a single project UDA. They also may be able to attract and retain better quality staff. To some extent these differences can be reduced by good management and transparent reporting at an individual project level; and

- Property development led regeneration projects are most successful when located in areas with strong development fundamentals such as local economic growth, a growing population (increase in demand), and increasing employment and falling numbers of unemployed.

5.4 Summary and conclusions

In summary, there has been a limited amount of research into the financial and economic performance of UDAs. UDAs are a potential policy tool available to central and local government to improve urban outcomes. However, the evidence available suggests they may struggle financially without significant subsidy. The subsidy may come from low or no cost patient capital (in the form of grants, tax credits or vested Crown, state or council owned property). Their ability to generate a “profit” is likely to be related to the strength of the regional economy, population growth, supply/demand balance in the local market (property and labour), the location’s access to existing infrastructure and the cost to upgrade any limitations and the impact of the business and property cycle during the redevelopment.

Regeneration policy has evolved significantly since the mid-20th century. The focus has progressed from a (re)development led approach to a regeneration strategy, which may include property (re)development. The regeneration approach focus is now on people and the communities they live in with three key categories of outcomes economic (including financial property), social and environmental. When the wider benefits of this approach are considered the majority of cost benefit studies, examining costs and outcomes at a policy and UDA level, demonstrate the benefits exceed the costs. It is important to note that there is significant variation in these outcomes which relate to site specific locational and regional economic factors.

In summary, UDAs can improve the outcomes for people and the communities they live in. They require a dedicated team of professionals with sufficient patient capital prepared to engage with the community and private sector to make a difference. Ideally, these entities would have the ability to streamline planning approvals and have the power of compulsory purchase (not currently available in a New Zealand context). They are likely to struggle to achieve private sector levels of risk and return, although the overseas experience suggests the economic benefits should exceed the costs. It is also important to remember that, by itself, regeneration cannot reverse structural economic decline in an area.

6. The potential wider benefits of UDA property development led regeneration

6.1 Introduction

Urban development and regeneration authorities have been used as a policy strategy to improve community outcomes since the mid-20th century. Although a mix of approaches has been used within the context of this policy framework, the overall goals have remained the same. The objective of this section of the report is to review the evidence of how successful this property development led regeneration has been at improving a wide range of community outcomes.

The methodology adopted for this section of the report is to undertake a rapid review of the literature, reports and other publications available which discussed the potential benefits of property development led urban regeneration. Rapid reviews are tools used to summarise research on a topic to provide evidence-based answers. In the context of this section of the report, the objective is to use this technique to identify whether there is sufficient evidence to support a more in depth study of the potential wider benefits of urban development authorities (UDAs).

The objective of this section of the report is to summarise the evidence of the impact urban regeneration has had on improving community outcomes. These policies have been used overseas and to a limited extent in New Zealand as an instrument for achieving a range of policy goals and objectives. The broader benefits potentially include:

- Increasing the supply of housing during all stages of the construction/property cycle and, as a consequence, retaining skills within the construction industry;
- Providing innovative solutions to housing need within a community;
- Mechanisms to supply and retain affordable housing inter-generationally;
- Improved household and community outcomes including reducing local violence and crime, and improving health outcomes;
- Creating a ‘halo’/spill over effect of social and economic benefits on the wider area surrounding the designated urban regeneration area; and
- Undertaking the most appropriate solution where there is a "tightly definable urban challenge" of such "complexity, specialised nature, scale or intensity" that a special purpose vehicle is necessary.

6.2 Evidence of the wider range of benefits from urban regeneration

To state the obvious, the potential benefits from urban regeneration are directly influenced by the goals and objectives of the entities established to lead the process and the scale of the intervention relative to the market as a whole.

Evaluations of the benefits associated with urban development are also faced with the challenge of the counterfactual – what would have occurred without any intervention. This is important as, although evaluations may show improvements in a range of outcomes, if similar improvements have occurred in other areas with the same characteristics, the intervention may have not had a significant impact.

Australia

Wood and Cigdem (2012) summarised the results of neighbourhood renewal evaluations undertaken by the Department of Human Services in Victoria, Australia. Key outcomes from the evaluations included:

- A 4% reduction in unemployment from 17% to 13%, double the rate of reduction in unemployment in Victoria;
- A 14% increase in further education qualifications;
- A reduction in average secondary school absenteeism by 3.5 days;
- A 4% increase in perceived levels of community participation;
- A 12 % reduction in overall crime;
- A 27% decrease in property crime levels;
- A 6% reduction in substantiated cases of child protection;
- A 22 % increase in acceptance rates for public housing;
- An 8% reduction in public housing turnover;
- A 33% perceived improvement in housing conditions; and
- A 23% perceived improvement in the physical environment.

(Wood and Cigdem 2012, page 6).

Care needs to be taken when interpreting these impressive results as the counterfactual is unclear. For example, anecdotal evidence suggests improvement occurred in areas subjected to renewal and also in areas not exposed to renewal programmes.

The United Kingdom

Rhodes et al. (2002) in their evaluation of England's single regeneration budget policy, found in their analysis of three case studies (Chalkhill, Hangleton and Canalside) how residents felt about how safe they viewed their community. Table 6.1 presents the results of the 1996 survey and the 1999 follow up survey.

Table 6.1: Changes in the communities' perception of safety

Case Study Area	Chalkhill		Hangleton		Canalside	
	1996	Chge 96 to 99	1996	Chge 96 to 99	1996	Chge 96 to 99
Crime and Safety						
Area fairly safe when walking alone after dark	36	-2%	44	+5%	35	-2%
Area unsafe/don't go out after dark	50	-5%	33	-3%	47	-2%
More safe than 3 years ago	16	+11%	2	+5%	9	-4%
Less safe than 3 years ago	17	-5%	21	-3%	26	+7%

Source: Rhodes et al (2002)

Rhodes et al. (2002) noted that there was significant churn within each case study area, making it difficult to draw valid comparisons between the two surveys due to compositional change. The Chalkhill and Hangleton residents experienced a significant increase in their perceptions of safety compared to three years ago, while Canalside residents experienced a decline.

DCLG (2006) examined the impact of the single regeneration budget (SRB) programme between 1994 and 2004 in relation to outcomes relating to the physical environment and housing, business regeneration, training and employment, education and youth, community development, crime and safety, and health.

Table 6.2 summarises the changes experienced in the areas benefiting from the SRB programme.

Table 6.2: Evaluation results of SRB programme

	Baseline Results (1996)			Change 96 to 01		Relative to national change	
	Worst locality	Average of 7 estates	National average	Worst locality	Average of 7 estates	Worst locality	Average of 7 estates
Employment							
Working full or part time	29%	41%	57%	+6	+3	+3.5	+0.5
Unemployed	17%	10%	5%	-3	-4	-2.5	-3.5
Economically inactive	38%	28%	10%	+2	-1	+2	-1
Long-term sick	13%	9%	6%	-2	0	+0.75	+1.25
Income							
% with income below 100 GBP per week	49%	37%	19%	-18	-12	-15	-9
% on income support	45%	26%	19%	-11	-5	-4	+2
% on housing benefit	58%	34%	19%	-12	-2	-10	0
Social Characteristics							
% of lone parents	26%	13%	6%	-5	-1	-6	-2
% in social housing	91%	46%	22%	-11	+4	-9.5	+5.5
Perceptions							
Very dissatisfied with area	28%	13%	3%	-11	-3	-12	-4
Very dissatisfied with dwelling	23%	9%	2%	-10	-4	-10	-4
Area very unsafe after dark	27%	16%	11%	-6	-3	-7	-4
Likely to move	46%	22%	17%	-15	-4	-18	-7
Do not feel in community	79%	70%	-	-6	-5	na	Na

Source DCLG (2007)

In summary, the key findings from the social surveys are:

- Incomes - There was a statistically significant increase in households earning over £300 per week and there was a statistically significant fall in those claiming income support;
- Employment - There was a statistically significant increase in those employed full-time. The proportion of those unemployed fell for all the SRB areas at a slightly sharper rate than the nation, bringing the overall figure down to 6% by 2001 (from 10% in 1996, down by 4 percentage points). The employment rate increased at a rate slightly above the national average;
- Satisfaction with accommodation and area - Satisfaction with accommodation increased significantly, bringing it very close to the national average. Correspondingly, levels of dissatisfaction fell. There was increased satisfaction with the area against a pattern of national decline. Most area-based problems

considered ‘serious’ had gone down in severity and compared favourably with national change;

- Local area as a place to bring up children - There was a statistically significant increase in parents believing the local area was a good place to bring up children. The trend was up on the national trend. Perceptions of the area as a bad place for bringing up children were also reduced by a significant 6% compared with a 2% reduction for England;
- Community involvement - Across the SRB areas there was a significant increase in the proportion of those feeling closely involved with the community. There was a significant rise in those agreeing they could rely on friends/relatives locally for advice or support;
- Crime and safety - It was encouraging that the SRB areas overall showed an increase in the number of people feeling very or fairly safe walking alone at night in their local areas. In contrast the national trend showed a slight decrease. There was a drop of 4% in those feeling very unsafe/did not go out alone in the area after dark which was against the national trend; and
- Health - Overall, the results showed a reduction in those considering themselves to be in good health and an increase in people in bad health, suggesting a considerable widening in the gap compared with the British average. The SRB case study schemes did not have a large health component in improving final outcomes in deprived areas.

In summary, changes to the physical environment and housing feed through fairly quickly into resident satisfaction with an area and perceptions relating to satisfaction with an area as a place to bring-up children. Incomes in the study areas have converged relative to relevant benchmark indicators and although it is difficult to be precise as to the contribution of SRB in this respect, it is an encouraging result in areas that had been so deprived for such a long time. However, employment change appears more difficult to achieve. Source: DCLG (2007).

In the seven case study areas, the total SRB expenditure on training and employment was £6,920,000, producing net outputs of, among other things, the creation of 182 jobs and 1,804 residents accessing employment through training/advice. The total SRB spend on business regeneration in the seven areas was £6,568,000. This led to net outputs of, among other things, the creation on 1,629 jobs, advice given to 3,744 businesses and 747 business start-ups. However, when set against expenditure and net outputs, the changes in unemployment in the case study areas do not provide a clear picture of the impact of SRB projects. Although there was a relative improvement by the end of the study period, the seven areas combined still had an employment rate some 22 percentage points lower than the England average, on a par with the ‘all deprived’ England average. In Chalkhill, as the SRB scheme came to an end, the employment rate remained some 34 percent below the England average and 13% below the ‘all deprived’ area average. Source: DCLG (2007).

Beatty et al. (2010a) examined the outcomes in communities subject to the New Deal for Communities programme between 2002 and 2008. Between 2000 and 2008, a total of 2.56 billion GBP was spent on 39 New Deal for Community partnerships. They concluded:

- Although there have been big changes in educational outcomes these have rarely been over and above what has been achieved in deprived areas overall;
- There is no evidence for statistically significant positive net additional change in relation to worklessness;
- There were more statistically positive net changes emerging in relation to health than for education or worklessness, much of it relating to improvements in residents' mental health;
- Net positive improvements occurred in relation to crime which encompasses being a victim of crime and perceptions of the community's lawlessness and dereliction index;
- Net positive improvements were achieved in relation to housing physical and environmental outcomes which is reflected in resident's attitudes to the area and the local environment; and
- Net positive benefits were achieved in relation to the community dimension and, in the early years of the programme a sense that the neighbours were looking out for each other.

Evidence from the national evaluation points to relatively greater positive change for place-related outcomes, rather than people-related outcomes. Batty et al. (2007, page 27) provide a number of reasons that help to explain this bias towards place-related outcomes, including:

- A considerable proportion of residents in New Deal for Communities (NDC) areas will see and 'benefit' from typical place-related interventions such as, environmental improvements or neighbourhood wardens schemes; and it is relatively easy for large-scale household surveys to pick up the positive effects of such projects on people's perceptions of the local area, the environment, the role of the partnership in improving the neighbourhood, and so on;
- Alternatively, many people-related interventions such as, job training schemes or healthy living projects, will not impact directly on a large number of people; and there is no guarantee that participants of such projects will achieve a measurable outcome such as, moving off job related benefits. People-based interventions can move participants in a desirable trajectory, the ultimate outcome from which could, however, take many years to become apparent; and
- In addition, place-related interventions tend to remain within the NDC area. There is an argument that, having enhanced their skills through NDC funded projects, some residents who benefit from people-related interventions will leave the area taking their 'outcomes' with them. It is not possible to establish the scale of this process. However, evidence from the national evaluation suggests that those moving out of NDC areas between 2002 and 2004 did so for housing and environmental related factors, there being little to suggest such movement was being driven by individual-level benefits accruing to participants of NDC funded projects. Nevertheless, benefits arising from people-related interventions are potentially mobile in a way which is not true for most place-related projects.

Source: (Batty et al 2010, Page 27)

Although the evaluation demonstrated there had been solid progress in improving community outcomes, the net change, over and above that experienced in similarly deprived neighbourhoods, has not been significant. This is likely to be due to a number of reasons. These include the fact that areas change for a number of reasons, not all of which are within the control or influence of an area's regeneration agencies. It should also be remembered that, although this is a relatively generously funded area based initiative, total NDC resources going into each of these areas are relatively modest in the context of the size of the overall market.

Lawless (2011), in his analysis of the scale and nature of outcome change in area regeneration programmes from Britain's New Deal for Communities programme concluded that the changes were only modest and much of which reflected improved attitudes towards an area and the environment. He suggested it was difficult to identify any positive people based outcomes because only relatively few people benefit from the relevant initiatives.

Lawless (2011), also suggested the most critical problem with evaluating the impact of area based initiatives was that of the counterfactual. Consequently, analysis of any results needs to be considered with reference to comparator areas as a bench mark of what is likely to have happened without any intervention. Table 6.3 presents the people related measures where there is a statistically significant difference between a regeneration area and their comparator benchmark.

Table 6.3: Indicators showing a statistically significant improvement 2002 to 2008

Measure	Percentage point improvement relative to comparators
Lawlessness and dereliction index	9
Mental health index	7
Area got much better/slightly better in past two years	7
Very/fairly satisfied with the area	6
Taken part in training/education in past year	4
Been a victim in any crime in the last year	4
Problems with the environment	3
Health somewhat/much worse than one year ago	3
Been a victim of criminal damage in the last year	2

Source: Lawless (2011)

Three of these indicators relate to improved perception of place (lawlessness and crime, satisfaction with the area, and thinking the area had improved). Two other indicators relate to health with a fall in the proportion of people who think their health is not good and also those who think their health has deteriorated in the last year. Lawless (2011) notes that it may take more time for the full effect of these initiatives to present in the population. However, there has been a change in these key indicators. The impact of area based initiatives such as New Deal for Communities are also likely to be hard to identify due in part to households' mobility. For example, if the programme is successful, households that benefit may become more mobile and shift out of the regeneration area and be replaced with more deprived households making it difficult to track the benefit.

Crisp et al. (2014) also examined the impact of England's regeneration policies on health, education, and community participation. Their key findings included:

- People-based interventions around health, education or community participation are more effective in improving processes of service delivery, particularly around partnership and community engagement, than generating better outcomes;
- The limitations of people-focussed interventions may be explained by short timescales, the challenges in influencing the spend and activities of mainstream providers, and the relatively small scale of interventions;
- Place-based interventions around housing, crime and the physical environment deliver a broad range of benefits that ameliorate some of the adverse outcomes associated with poverty. These include improvements in health and well-being; satisfaction with the home and area; and fear, or experiences, of crime and anti-social behaviour;
- There is little evidence that 'mixed communities' initiatives improve economic opportunities for lower income households. This challenges the assumption underpinning the notion of 'area effects' that 'deconcentrating' poverty reduces the compounding effects of spatially concentrated disadvantage;
- There is evidence that wrapping 'bricks and mortar' housing projects up in a broader 'housing plus' package may also increase the sustainability of outcomes;
- Improvements in health and well-being through place-based interventions contrast markedly with less favourable outcomes from interventions directly targeting health. This suggests indirect mechanisms that improve living conditions may be more effective than 'pure' health initiatives; and
- Overall, regeneration programmes appear far more effective in tackling the non-material dimensions of poverty through delivering place-based rather than people-based initiatives.

Kearns et al (2014) noted existing research points towards physical and mental health gains from housing improvements, but findings are inconsistent and often not statistically significant. The detailed characteristics and variability of housing improvement works are problematic and studies are often small, not experimental and with short follow-up times.

Kearns et al (2014) used a quasi-experimental design to assess the impact on physical health and mental health of four types of housing improvement works: central heating within housing renewal projects, 'secured by design' front doors, fabric works, kitchens and bathrooms, both singly and in pairwise combinations.

A longitudinal sample of 1,933 residents from 15 deprived communities in Glasgow, and the UK was constructed from surveys carried out in 2006, 2008 and 2011. Sociodemographic characteristics and changes in employment status were taken into account. The results of their survey demonstrated:

- Fabric works had positive associations with physical health and mental health in one to two years;
- Kitchens and bathrooms had a positive association with mental health in one to two years

- Central heating had a negative association with physical health;
- New front doors had a positive association with mental health in less than a year and when provided alongside kitchens and bathrooms, the impact also increased; and
- Gaining employment had strong associations with physical health and mental health improvement.

Kearns et al (2014) concluded that fabric works may provide insulation benefits and visual amenity benefits to residents. Front doors may provide important security benefits in deprived communities. Economic regeneration is important alongside property-led regeneration.

USA

Econsult Corporation (2012) cited the results of the impact of community development corporation (CDC) activity within the City of Philadelphia which had a positive impact on the level of home ownership and concluded that a 1% rise in homeownership rates coincided with a 1.3 to 1.5% drop in property crime and a 1% to 1.1% drop in violent crimes.

Zeilenbach, Voith and Mariano (2010) examined the impact of HOPE VI redevelopments of distressed public housing in nine major USA cities. Their findings suggest the characteristics of the development, the site and the surrounding community had a significant influence on the impact of the HOPE VI programmes on violent crime rates. On average, they estimated violent crimes were 51% lower than expected. The reductions ranged from 0% to 69%.

Zielenbach and Voith (2010) examined the impact of HOPE VI redevelopments of distressed public housing in Boston and Washington DC. They concluded violent crimes fell in three of the four redevelopments by between 52% and 75% on completion of the project.

6.3 Increasing housing supply

At a local level, regeneration strategies can have a significant impact on the quantum and quality of housing supply. Healey (1991) suggests that Britain's property led regeneration focused model of the 1980s was premised on the utilisation of public subsidies to stimulate weak or declining property markets. These could be used to overcome supply side constraints in local economies (depending on the powers of the UDAs) by streamlining the planning system development approvals process, speeding up the processes of land acquisition and assembly using powers of compulsory purchase and remediating sites previously seen as unmarketable. To that extent, it did achieve some success.

However, urban regeneration policies have struggled to significantly change the trend in housing supply on a broader scale. For example, NAO (2007a) analysis demonstrated the Department for Communities and Local Government and its predecessors committed 1.2 billion GBP to the housing renewal programme between 2002 and 2008 and allocated a further 1 billion GBP between 2008 and 2011. By March 2007, 870 million GBP of this funding had been used. This delivered 40,000 refurbished dwellings, 10,000 demolitions and 1,000 new dwellings. Although implementation of the policy no doubt improved the housing stock it did not increase the overall supply of units.

Crowley et al.'s (2012) analysis of urban development corporations in Britain between 1987 and 1997 identified they collectively reclaimed more than 3,500 hectares of land, completed over 40,000 dwellings, built 628 kilometres of road and leveraged 14 billion GBP of private sector investment.

Norris and Gkartzios's (2009) analysis of urban renewal schemes in Ireland between 1986 and 1996 noted that in total 620 million euros of public expenditure was invested in the designated renewal areas. This was leveraged by significant additional private sector investment. Table 6.4 presents the numbers of housing completions in designated renewal areas relative to total construction within the city between 1986 and 1995.

Table 6.4: Housing completions in designated Irish renewal areas

	Total number of units built	Number of units built within renewal areas	Renewal units as a % of total built
Dublin	24,018	5,350	22%
Cork	6,422	839	13%
Galway	5.635	553	10%
Limerick	3,930	661	17%
Waterford	2,484	200	8%
Total	42,489	7,603	18%

Norris and Gkatzios (2009)

Norris and Gkartzios (2009) note that these schemes did have a significant impact on the overall level of supply. However, there was no counterfactual analysis to demonstrate what may have happened without the intervention.

Goodbody Economics (2005), cited in Norris and Gkartzios (2009), estimated that the urban renewal scheme created an annual average demand for 200 construction workers between

2000 and 2004. Overall, these schemes had a significant impact on the supply at a local level. However, the counterfactual is unknown.

Stoecker (1997) estimated that, by 1991, CDCs created 320,000 housing units, and a further 80,000 units had been built over the following 5 years. However, he also noted that:

- The performance of CDCs was varied, with large variations in the numbers of units built and large variation between urban centres;
- The stability of CDC funding structure from tax credits has allowed the sector to develop capacity and grow housing supply in some localities;
- Numerous studies have not been able to find evidence that CDCs have been able to grow housing supply enough to reverse neighbourhood decline effects;
- Only 21% of housing and business development programmes and 31% of commercial property programmes have substantially impacted their neighbourhoods; and
- Adams (1990), cited in Stoecker (1997), noted that CDC like organisations produced 55% of housing in Sweden and 35% in the Netherlands. Consequently, given the right institutional environment and with appropriate funding, they can have a significant impact on housing supply.

Bratt and Roche (2004) noted that changes in urban policy and/or market conditions were a significant factor impacting on a CDC's ability to build and increase housing supply.

Bullen and Love's (2009) analysis of the Los Angeles adaptive reuse regeneration programme concluded that the key to success of this strategy has been the incentives offered to developers in terms of changes in code and zoning requirements and substantial financial concessions in the form of tax concessions. Over the period studied, housing supply increased from 11,670 units (in 1998) to 18,226 units (in 2005) with a further 5,360 under construction and an additional 14,204 under consideration. They considered the programme was a catalyst in prompting investment in other inner city projects such as a sports and entertainment facility. They also noted that there is a risk that, in achieving environmental and economic goals of the programme, it has been to the detriment of the social equity issues for the community. For example, the scheme may have led to the exclusion of low cost housing for lower income groups.

CIH and Poplar HARCA (2015) summarised when they consider regeneration can provide a much-needed step change in the number of new houses being built. This can be achieved by:

- Encouraging the more intensive use of land;
- Delivering integrated master planning of developments often in partnership with private sector developers to leverage off their capital base;
- Resolving market blockages such as the fragmented ownership of land to accumulate larger development sites;
- Streamlining planning rules and approval processes; and
- Adding size to a development to achieve economies of scale.

6.4 UDAs' ability to increase the supply of social and affordable housing

UDAs can have an impact on the supply of affordable and social housing. These outcomes are directly influenced by their scale and whether their goals and objectives require them to included social and affordable housing.

Davison et al, (2012) cite a number of policy arguments relevant to pursuing affordable housing through the urban renewal/regeneration process including:

- The need to minimise and offset the impact of planning and residential development processes on the availability of existing low cost housing;
- The need for the planning systems to facilitate greater housing diversity, through spatial strategy and design regulation to achieve spatial equity and support economic prosperity;
- The potential to leverage more substantial housing stock for low-income people, in preferred locations by making affordable housing inclusion a requirement of development (though construction costs and reasonable land acquisition may be met through government incentives and subsidies); and
- The opportunity to recapture some of the gain associated with planning decisions, or create additional gain through incentives, and to apply this profit to achieving public objectives such as a dedicated new affordable housing supply,

Davison et al (2012) cites the results of *"[The] international research generally fails to identify additional price or supply constraints arising because of inclusionary housing requirements, although the way in which requirements are designed and implemented is crucial (Calavita & Mallach 2010). Two new studies provide potentially contradictory positions in this evolving policy debate. In the US, a review of inclusionary zoning programs in San Francisco, Boston and Washington, suggests that both benefits and disadvantages of inclusionary schemes have been overstated in the US and that incentive mechanisms appear to be associated with a slightly higher affordable housing output than mandatory schemes, varying according to market context (Schuetz, Meltzer et al. 2011)."*

The bias towards incentive schemes is presumed to arise because the incentive operates to encourage housing that might not otherwise have been built, although the study is largely silent on whether or not the new affordable housing is being developed in priority locations.

Consequently, in the context of an area based initiative driven by an urban development/regeneration agency, it is important to consider the appropriate strategy for growing the supply of affordable housing within a community, particularly when working with private sector partners.

Australia

Davison et al (2012) cites their survey results which indicated "*the ULDA's approach to delivering affordable housing was flawed. This, they argued, was because most of the affordable housing being delivered by the ULDA was not targeted to eligible groups, nor was there any guarantee that it would not be on-sold later for a price that was not affordable. A Queensland Government representative suggested that the measures used by the ULDA to define affordable market housing in UDAs were unambitious and had simply ensured that there was a 'nice easy target to hit', adding that the affordable outcomes have been unimaginative and 'disappointing, because all [the ULDA have] done is facilitate lower-priced product for purchase by anybody".*

Thus, they concluded that the ability to retain the stock as affordable is an important policy and strategic goal.

Davison et al. (2012) considered the advantages of positive planning by land development authorities on urban renewal sites, using the ULDA as a case study. They argued that the involvement of land authorities (as owners, developers and /or controllers of land) in urban renewal sites brings with it many potential benefits:

- Where urban renewal sites are in fragmented ownership, land authorities can take a lead by acquiring multiple sites and consolidating them, before releasing market-ready land parcels to the market;
- Land authorities can take responsibility for site remediation and infrastructure installation, increasing the attractiveness of contaminated or poorly-serviced sites to private developers;
- As owners or regulators of land on urban renewal sites, government land authorities have greater control over the final use of that land and can therefore attach certain conditions to its development (such as affordable housing requirements). They may also be able to sell land at a negotiated sub-market rate to not for profit housing providers;
- For large and/or complex urban renewal sites, government land authorities can manage the process of urban renewal, ensuring that processes of change proceed in a co-ordinated manner and in line with government policy directions. This is particularly important for large sites that will take many years to develop;
- As owners of land on renewal sites, government land authorities can capture some of the uplift in land value that accrues through the redevelopment process for community use;

- The involvement of land authorities (with their considerable development expertise) in urban renewal projects can reduce risk and increase certainty for private developers, particularly where the land agency has some statutory planning powers; and
- Rather than simply consulting community members on proposed policy directions and regulatory controls (i.e. what might happen in an area), government land authorities, through positive planning, are able to take a longer-term view and discuss and debate with communities both strategic visions for the area at the project conceptualisation stage and a range of much firmer development alternatives later on.

The ownership and control of land by these land agencies provides some particular benefits in terms of affordable housing provision. Land agencies such as the ULDA can require affordable housing provision or housing diversity on their sites through planning processes and may choose to cross-subsidise affordable housing development, retain low-cost residential uses on renewal sites, or sell land at sub-market or negotiated rates or lease it to not for profit housing providers or eligible households. Unfortunately, however, while there is potential for them to engage in such activities, their ability to do so is currently constrained by the commercial imperatives and profit-making requirements that are currently imposed on them by state governments (Davison et al., 2012).

Davison et al. (2012) concluded that increasing the overall supply of housing, as well as housing within the identified affordable range, is a key objective of all urban renewal policies and government owned land organisations. In all cases, the introduction of the policies examined in this project followed an implicit audit of potential land to enable residential development, with potential renewal sites emerging out of metropolitan plans or notably from surplus or under-utilised government assets. In each case, a government land authority is employed to facilitate complex developments. Also, all states seek to develop infrastructure as an incentive for redevelopment within identified locations.

One of the flaws in the strategies employed is that although the units need to be sold or rented to target groups, with the exception of NSW, there is no mechanism required to ensure the units remain affordable. In NSW, affordable housing has to be retained for 10 years or in perpetuity though a community housing provider.

Davison et al (2012) noted when considering the effectiveness of different social and affordable housing strategies which can be used in conjunction with UDAs:

- Affordable housing options including near-market private rental and home ownership arguably require fewer subsidies per assisted household when compared to traditional models of social housing provision, and as such can be seen as an effective means of stretching finite public funding resources further;
- Affordable and social housing policies where the units are not retained as affordable or social in the longer term are less effective than those which only offer an affordable unit at the first point of sale;
- Planning gain models used in conjunction with UDAs tend to work best where significant value uplift in land values is enabled through development. It follows that strong, rising housing markets (often the cause of greater housing

affordability constraint) offer the potential for larger gains to support affordable housing provision. This might be seen as a virtuous feedback loop;

- The longer-term objectives of a consistent policy approach and framework are to help mediate land values over time and see those requirements priced in to residual land values. Effectively, the cost of providing social or affordable housing into a development results in lower land values over time. This can only be achieved if market participants expect the policies to remain in place over the longer term; and
- Where the market has most struggled to meet the housing needs of those facing affordability constraints—in lower and moderate-value middle and outer suburbs—these models, in working with those markets, largely fail to transcend or mitigate those challenges at any meaningful scale. Dwelling targets within metropolitan strategies are falling short due to lack of viability. Local demand, whilst very strong in terms of housing need, cannot meet the price points.

By contrast, new research in the United Kingdom suggests that the long standing affordable housing contribution requirements (known as section 106 agreements) have delivered a steady trajectory of new affordable homes, to the extent that well performing local areas (in terms of overall new housing production) are also likely to be where higher quantities of social housing is being built (Bramley 2013).

The United Kingdom

The United Kingdom has used developer contributions (as part of section 106 agreements) to increase the supply of social and affordable housing. These apply to urban regeneration authorities like any other developer. The logic behind the policy is that zoning and development approvals result in an increase in land value. This increase in land value mainly accrues to the owner of the land, but a levy or tax may be applied to divert some of the planning gain to the public sector.

In England and Wales, such arrangements are currently negotiated between the developer and the council and take place under the terms of section 106 of the Town and Country Planning Act 1990. In Scotland, the equivalent is a section 75 planning obligation of the Town and Country Planning (Scotland) Act 1997.

Typically, a new housing development over a given threshold size (commonly 15 dwellings in many local authorities) would be required to provide a pre-determined proportion of affordable housing. This is a source of friction between developers and local planning authorities, because the developers attempt to maximise revenue while the councils attempt to maximise the amount of affordable housing.

6.5 The impact on the level of owner occupation

Van Gent (2010) noted that changes in the rate of owner occupation within regeneration area based initiatives in Britain reflect the policies of the neo liberal governments over the last two decades. Shifts in policy towards privatising social housing and allowing tenants to buy their dwellings both inside and outside regeneration areas have led to an increase in rates of owner occupation. He notes that, in both Britain and the Netherlands, regeneration is often used to promote the home ownership agenda in urban rental areas. Tenure restructuring in these areas involves the demolition of older rental stock and its replacement with modern dwellings, offering a mixture of rental and owner occupier units, thereby driving tenure change. The assumed positive neighbourhood effects generated by mixing owner occupiers and renters are one of the objectives of regeneration policy.

Van Gent (2010) concluded that, rather than trying to rebalance or mixing tenure within the community, regeneration policy should focus on social conditions in relation to their urban surroundings and should attempt to improve the neighbourhood's reputation to reduce social exclusion.

Norris and Gkartzios (2009) found that, between 1991 and 2002, the rate of owner occupation in Irish housing renewal areas fell from 56.8% to 53.6% a fall of 3.2 percentage points. The nationwide trend over the same period was 86.8% to 85.2%, a 1.6 percentage point fall.

Kleinhans (2004), in his analysis of the impact of housing renewal area based initiatives in the Netherlands, concluded there were significant improvements in the quality of housing and the physical living environment. He also noted the changes in population that resulted in some indirect effects. Policies which included increased rates of owner occupation also assist in maintaining dwelling quality. He concluded owner occupiers were more likely to maintain their dwellings to a higher standard than otherwise identical dwellings occupied by renters. Residents living in these areas also identified the influx of owner occupiers as a social improvement.

Tunstall and Lupton (2010) noted that a range of regeneration programmes had achieved significant changes in the level of owner occupation (OO) rates over the last three decades.

Table 6.5 summarises some of the key changes that have been achieved in mixed tenure communities in area based initiatives where the preregeneration councils owned nearly all the housing stock.

Table 6.5: The impact of mixed tenure community objectives in regeneration areas

Area	Project Date	Change in tenure mix from 100% Council owned
Broomhall, Sheffield	Pre 1998	37% OO and 63% Social
Cowgate, Newcastle	Pre 1995	33% OO
Bonamy Southwark	Pre 1998	23% OO, 38% Social
Hulme, Manchester	1990s to 2000s	45% private
Longbenton, N Tyneside	Pre 2001	44% local authority
Niddre, Edinburgh	1981 to 1998	21% OO, 21% Social
Chalkhill, Brent	2006	30% OO
Woodberry Down, Hackney	Ongoing	60% OO
NE Coventry	Ongoing	From 14% to 60% OO
Canning Town, Newham	Ongoing	From 20% to 60% OO

Tunstall et al (2010)

Regeneration programmes have often involved some efforts at mixing tenure and changing population mix. Tenure mix and income mix have tended to be seen as interchangeable concepts, although it is clearly possible to change tenure without changing income (especially with changes from social housing to owner-occupation through the right to buy), and to change income without changing tenure (e.g. through gentrification in areas of private rented and owner-occupied housing).

Tunstall and Lupton (2010) identified that the 'mixed tenure' policy with greatest impact on individuals and neighbourhoods to date has been the right to buy. There have been some cases of regeneration projects involving 'significant' changes in tenure, but these have been a minority of the housing estates receiving central government funding for regeneration. From about 2005, there was a shift to an approach which positioned mix as a central and essential element of regeneration, rather than an optional, pragmatic component in particular kinds of areas. As a consequence, the more recent schemes presented in Table 6.5 are achieving higher rates of owner occupation. Source: Tunstall et al (2010).

6.6 Employment and increased economic activity

Shaw and Robinson (2010) identified that achieving sustainable results requires major investment programmes and needs to be integrated into wider strategies which encompass physical, management and social issues which directly address the reasons for regional economic and/or employment decline.

Cheshire et al. (2014) argue that regional growth policy in Britain has been to focused on public expenditure to “turn around” declining locations. They conclude that, in the medium and long run, there has been remarkably little convergence across places in Britain. Declining areas have continued to struggle despite considerable policy intervention, often over a period of 50 years. They consider that the evidence of the performance of regeneration entities suggests the policies introduced have not been able to counter market forces that have continued to work against the economies in these areas or that the policies were ineffective in improving local economic performance.

Cheshire et al. (2014) cite a number of studies which suggest the net growth in businesses and employment benefits from different regeneration/regional growth programmes are small, as activity is largely displaced from one location to another. In addition, they contend that physical regeneration policies tend to raise property and land values so land owners and landlords gain, but these groups are generally not the target audience for these policies.

Cheshire et al. (2014) cite studies evaluating the impact of enterprise zones in the United States (Nuemark and Kolko 2010) and in France (Mayer et al 2012) that also demonstrate these policies have little or no net effect once displacement effects are taken into account. However, policies targeting individual companies, such as the regional selective assistance programme, had some positive employment effects (Criscuolo et al. 2012).

Cheshire et al. (2014) suggest labour market mobility is an important influence on these programmes effectiveness. The greater employee mobility the less effective the programmes. They cite the USA Empowerment Zone programme, which combined physical improvements with firm level incentives, and these appear to have successfully raised wages and employment rates for low skilled people (Moretti 2010 and Busso et al 2013). One of the conclusions from this study was that workers in the areas benefiting from the programmes did not want to shift to work in other areas and neither did workers in nearby neighbourhoods want to commute in. Cheshire et al. (2014) noted that these outcomes are hard to identify in advance and are likely to reflect area specific conditions. Area based initiatives have succeeded in some locations, but they have not significantly changed the national patterns of spatial disparities. Micro programmes are unlikely to work against mega economic trends.

Bartik's (2004) analysis of area based initiatives targeting firms in the United States (usually in the form of tax breaks) showed that this is effective at redistributing employment within urban areas but does not appear to be very effective at redistributing activity between urban centres. Other studies cited by Cheshire et al. (2014), such as Einino and Overman (2013), Hansen and Rohlin (2013) and Mayer et al. (2013), suggest that this redistribution may be occurring at quite small spatial scales with areas just outside the zones targeted by the area based initiatives. These areas outside the zone lose employment to areas just inside the zone.

Crowley et al.'s (2012) analysis of urban regeneration policy in England in the 2000s notes that despite considerable resources aimed at reducing spatial disparities they have continued to persist even after a sustained period of intervention. They also contend that past policies based on area based initiatives have focused on the wrong thing. They suggest policies should instead focus on improving outcomes for people who live in deprived areas by removing barriers (for example, poor education achievement and low or inappropriate skills) preventing them from relocating. Crowley et. al. (2012) cites a PwC (2009) evaluation which concluded that regional development agency impacts between 2003 and 2007 included:

- Created or safe guarded 213,000 jobs;
- Helped 30,000 people into employment;
- Assisted 35,000 businesses;
- Helped create over 8,000 new businesses;
- Developed the skills of 43,000 people; and
- Remediated 570 hectares of brownfield land.

PwC (2009) concluded that 39% of business assists and 71% of land remediation would not have occurred without regional development agency intervention. PwC's analysis also concluded that there was a 4.5 GBP benefit for every 1 GBP spent on jobs created or safe guarded. However, economic and labour market data would suggest that they were unsuccessful in their aim to narrow the gap between the least and most successful regions. However, Crowley et al (2012) suggest disparities in economic performance accelerated during the period they were in operation. Much of the convergence on employment and unemployment can be attributed to increased public sector expenditure and public sector jobs growth which disproportionally benefited regions outside London and the South East.

Turok (1992) concludes that property led regeneration is hardly a panacea for economic regeneration. It can ignore some of the key elements of the revitalisation of an area's economy including education and training, investment in infrastructure (such as transport and communication) and issues associated with the underlying competitiveness of industry. Property led regeneration is only one part of a wider economic revitalisation strategy and is unlikely to have a significant impact if the other preconditions for growth are absent or weak in the target cities. He concluded that poor physical environments may be symptoms of deeper problems of low income and under investment while also contributing to low community morale, depopulation and disinvestment.

Glossop (2008) noted that regeneration policy in Britain often treats housing as an isolated policy and as a consequence future investment is unlikely to achieve either sustainable growth or the desired outcomes. A more integrated response to housing and economic development is required if regeneration and housing policy is to be able to enhance place competitiveness and reduce spatial concentrations of poverty. Regeneration strategies such as mixed communities' initiatives are likely to fail unless these are integrated with policies designed to tackle the underlying causes of poverty and help link residents to economic opportunity.

Glossop (2008) concludes evaluations of housing led regeneration approaches reveal that a focus on housing alone will be unable to drive economic regeneration. Any policy initiative needs to respond to the underlying economic causes of deprivation. She noted regeneration policies adopted in Castle Vale in Birmingham attempted to upskill local residents and enabled them to benefit from any economic opportunities created; invested in housing and the physical environment, which helped transform the functionality of the neighbourhood; attempted to attract private investment into housing, provided land for employment related activities, and encouraged businesses back into the area. She notes worklessness levels in Castle Vale improved relative to Birmingham along with improvements in educational attainment, health and social wellbeing outcomes.

Crisp et al. (2014) in their analysis of regeneration scheme outcomes in Britain concluded the evidence suggests that business support activities may create additional jobs in regeneration areas although the extent of additionality is limited by low survival rates as well as deadweight and displacement effects. There is also not much data to reflect conclusively on whether business support initiatives overcome the 'leakage' effects associated with physical regeneration, but levels of additionality seem broadly comparable. Unfortunately, there is very little evidence to conclude whether the number of jobs created through business support schemes scale up into area-wide changes in levels of employment and worklessness.

Crisp et al. (2014) found physical regeneration can function as a direct source of jobs although the benefits may leak out if appropriate training or employment programmes are not put in place to make jobs accessible to residents. Establishing formal agreements with developers may support the recruitment of 'local labour' although there are risks inherent in relying on private sector partners.

6.7 The strategic role of UDA's and their ability to stimulate urban regeneration

UDAs have played a strategic role in a number of countries particularly as they have managed to attract private sector capital in addition to public expenditure. For example, Rhodes et al.'s (2002) evaluation of the effectiveness of Britain's single regeneration budget policy found that for every 1 GBP spent, there was an associated 2.7 GBP of private sector expenditure. UDAs also have the potential to remove impediments to redevelopment that private sector organisations consider too difficult to achieve such as providing appropriate infrastructure, resolving planning and consenting issues, dealing with the fragmented ownership structure and remediating brownfield sites.

However, it is important to ensure regeneration policy goals and objectives are appropriate for a community, and whilst addressing an undesirable outcome, they do not create others. For example, Cheshire (2007, page 9) noted *"The poor do not choose to live in areas with higher crime rates, worse pollution: they cannot afford not to. That is, the incomes of the people determine the character of the neighbourhoods they can afford to live in. The problem is poverty not where poor people live."*

Consequently, unless regeneration policy deals with the causes of poverty they may provide some benefit to a limited number of households directly benefiting from any area based initiative.

Taylor (2008), in her review of evidence around the wider benefits of neighbourhood renewal programmes in the United Kingdom, stated *"The strong view emerging from neighbourhood renewal programmes operating in Britain is that such interventions have not done enough to turn around the disadvantage deprived areas suffer in terms of weak economies, high levels of worklessness, low skill levels and insufficient enterprise."*

Shaw and Robinson (2010) suggested that one of the fundamental problems for New Labour's regeneration policies, which attempted to reduce social exclusion and neighbourhood inequalities at a local level, was at the same time they promoted neo-liberal approaches to managing the economy. These policies, such as deregulated labour markets and benefit reform, tended to increase inequality.

Tyler (2011) agreed, that in order to reverse the economic decline in areas, regeneration initiatives must enhance the attractiveness of places for people and investment made through the activities of both the market and mainstream public sector providers. This approach is likely to reduce the level of worklessness and social exclusion experienced. Successful regeneration is about enhancing the core competencies or attributes of the area and residents so that it is an attractive place for business to locate and for people to live in. Consequently, the quality of a place in terms of its housing and other key infrastructure is an important part of the economic revival of an area.

Tyler (2011) suggests that, to be effective property led regeneration policies need to be considered alongside other aspects of government policy such as education, business competitiveness, research and development, health, the environment, immigration and labour markets.

Hemphill, Berry and McGreal's (2014) analysis of the performance of business improvement districts[12] policy in Britain noted that they are capable of reversing the negative image of an area, attracting new investment and enabling local businesses to have more control over the management of their area. They also cite Levey (2003) who proclaims **the** leadership role played by business improvement districts in the United States in helping articulate strategy, implement entrepreneurial solutions and forge coalitions for change. However, they also acknowledge Blackwell's (2001) findings, where he concluded that business improvement districts played a limited strategic regeneration role within Britain, and whilst they may form part of a wider regeneration strategy, they are unlikely to materially influence it. They concluded that investment in business development areas tends to occur in the early development phases, in particular, providing enabling infrastructure or public realm projects geared at improving the physical environment. There was limited evidence to suggest that this expands across into the wider community and that they were innovative in attracting funding from a diverse range of sources and coordinating change in their local areas.

Matthews (2010) analysis of the Scottish Government's "Mind the Gap" policy initiative concluded that concentrated community redevelopment could not overcome the structural economic inequalities that lead to urban deprivation. The research increasingly showed the key role wider socio economic changes and patterns of development had in creating urban deprivation.

McGreal et al. (2004) evaluated the impacts of Irish regeneration policies which created a number of incentives for regeneration utilising commercial property development. The incentives included:

- Capital allowances were applied to corporations and income tax for a ten-year period;
- A reduced corporate rate of 10% was applied to licensed companies investing in designated areas;
- Double rent allowances on commercial leases were available to tenants in commercial buildings located in designated areas for a ten-year period; and
- Rate remissions/relief was available for a ten-year period for qualifying premises.

Their evaluation into the impact, effectiveness and cost of the scheme confirmed that, as a mechanism for improving areas of dereliction and for leveraging private sector funds, tax based urban renewal schemes were highly successful. They also concluded that tax incentive approaches favoured investors, with lower benefits for owner occupiers and tenants, and recommended a more integrated and strategic approach was needed going forward. Their analysis also demonstrated that the competitive advantage offered by tax breaks can lead to rental performance and returns out-performing the traditional city centre locations. However, the incentives are phased out, after ten years, provided the regeneration area has reached sufficient critical mass that the need for special incentives is no longer required.

[12] Business improvement districts were an area based regeneration strategy introduced in Britain in 2003. A business improvement district is a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

6.8 Innovation and leadership in urban design

Irmie and Thomas (1993) concluded that the process of property redevelopment by private sector developers has the capacity to undermine a range of local and community interests in areas affected by regeneration schemes as a result of their short-term focus on financial gains. Their short-term vision can result in sub-optimal outcomes. Consequently, the leadership and longer-term strategic vision that can be provided by regeneration entities can often provide better urban outcomes.

Rhodes et al. (2002), in their evaluation of the outcomes associated with Britain's single regeneration budget policy, concluded *"it is important to consider how the impacts of changes in the physical nature of the area (i.e. land, property, buildings etc.) relate to the desired effects on people and how all the effects sum to tackle the original problems. A common theme in the past has been to presume that the changes to housing and the physical environment of an area will be sufficient to solve the social exclusion problems of the local inhabitants. Alas it is rarely so" (Rhodes et al., 2002, page 18).*

Cheshire et al. (2014) suggest *"regeneration policy which emphasises high density, mixed tenure multi-unit housing on expensive to develop sites (as it has done in Britain for some time) provides developments that are likely to be both relatively costly and unpopular with people who have a choice about their location. Ironically, when these higher density developments are created by the demolition of existing housing these policies often prove unpopular with poorer residents who already live in these neighbourhoods.* (Power & Houghton, 2010, cited in Cheshire et al., 2014, page 198)

Cheshire et al. (2014) suggested that area based initiatives focused on increasing the supply of commercial space may help in improving the built environment. However, typically in areas with declining economic fortunes, the issues more often relate to demand side issues rather than focusing on areas such as education and improving the skills of low paid workers, which represent fundamental supply side barriers to economic growth in poorly performing areas.

Newton et al. (2011), in their analysis of appropriate development models for housing regeneration in greyfields residential precincts in Melbourne, concluded that it was important that the proposed development urban form is clearly visualised and communicated to the surrounding community, council and potential development partners. Demonstration projects within a development precinct provide the opportunity to achieve these goals whilst testing the market demand and viability of the typologies included in the design.

DCLG (2006), in their investigation of transferable lessons from the New Towns policy in England, concluded that the provision of social infrastructure (shops, playgrounds and sports facilities) within walking distance played an important role in creating a sense of community within a development. They also stated that there was evidence to suggest that, if these were already in place when people began arriving, the community came together faster and networks were formed more readily. DCLG (2006) also noted that the provision of education facilities was a key in the development of New Towns and communities, as many of the new comers were families with children. The provision of health facilities such as health centres was also important although less so than educational facilities.

New Towns' designs were a product of the period in which they were developed. The sustainability of some aspects of the designs has not stood the passage of time. Care needs to be taken to ensure the overall design is flexible and can evolve with the community's needs. The ability to master plan large integrated communities provides some benefit, and key lessons to be drawn from the experience include:

- Green space that is provided for decorative, aesthetic or according to a modernist formula (i.e. ratio of built form to open space) is not successful, but purposeful green space that has clear community ownership contributes significantly to a neighbourhood's liveability;
- Flexibility in design is important so the overall master plan can evolve with the changing needs of the resident's as the community evolves; and
- UDAS should consult the population on the design of their neighbourhoods and the facilities that they would find useful.

Surveys of New Town occupants quoted in DCLG (2006) suggest:

- Green spaces are very important from a users' perspective;
- Good street lighting is important;
- Underground tunnels are not popular;
- Alleyways and passageways are not popular due to a fear of crime; and
- Social infrastructure/public facilities should be in place before a community is housed.

6.9 The halo or spill over effect

Rossi-Hansberg, Sarte and Owens (2010) investigated the extent of housing externalities associated with a residential urban revitalisation programme implemented in Richmond, Virginia, between 1999 and 2004. On average, land prices within the targeted areas increased by 2% to 5% per annum faster than in a control neighbourhood. Their findings suggested that the externalities generated in the neighbourhoods surrounding the areas being revitalised were large and fell by half with every 1,000 feet from the boundary of the area based initiatives. Consequently, these benefits considerably amplified the effect of the revitalisation programmes. Their analysis of different renewal programmes demonstrated that every $1 spent on home improvement in the areas being revitalised generated between $2 and $6 in land value growth by way of externalities. They also noted that the returns from externalities decrease rapidly with the size of the programme.

Castells (2010) investigated whether there were any significant spill over effects from the housing revitalisation projects associated with the HOPE VI programme in Baltimore. Her analysis examined the property sale prices in the areas immediately surrounding each redevelopment site before and after the development. Her study included three redevelopments. She concluded that only one redevelopment showed convincing evidence of a positive effect on property values in the surrounding area. This redevelopment was in a less distressed neighbourhood than the other two projects and adhered to a mixed income model for potential residents and also implemented social and community service programmes. She concluded that the pre-existing neighbourhood conditions make a difference in neighbourhood spill over effects and that the greatest benefits may be achieved in targeting distressed but already improving neighbourhoods.

Zielenbach and Voith (2010) examined four HOPE VI public housing redevelopment programmes and documented the changes both within and outside the targeted areas. Their study concluded that the redevelopments had positive impacts on the economic conditions in the surrounding neighbourhoods. They used property values as a proxy for measuring the impact of the benefit. The size of the impact varied with the location and extended out 2,000 feet (0.6 kilometre) from the redevelopment area. The extent of the spill over impact into the surrounding neighbourhoods was greatest in areas with other development pressures and existing stable institutions.

6.10 Summary

UDAs have the potential to deliver improved outcomes in the communities in which they operate. However, there are a number of potential challenges which need to be considered when accessing the potential benefits. First, careful consideration must be given to the counterfactual proposition, i.e. what would have occurred anyway if the UDA had not intervened. Second, the mobility of people shifting in and out of a community may result in people related benefits being difficult to identify. Third, the scale of the intervention needs to be of sufficient size so as to be able to have a significant impact on communities' outcomes. Fourth, UDAs' goals and objectives have varied over time across a wide spectrum of people and place related outcomes. As a consequence, the outcomes vary accordingly.

The key learnings from this rapid review of the literature include:

- Property led regeneration by itself cannot reverse economic decline and a lack of employment opportunities. Research demonstrates that urban regeneration policies have been effective in redistributing employment within urban areas but do not appear to be very effective at redistributing activity between urban centres. In addition, once the redistribution effects are taken into account overall employment does not appear to increase;

- Property led regeneration alone is unlikely to turn about community decline and bring about long-term changes. To achieve sustainable results requires major investment programmes that need to be integrated into wider strategies which encompass physical, management and social issues which directly address the reasons for regional economic and/or employment decline.

- Regeneration strategies focused on improving the outcomes of people living in poverty also need to consider that the "poor do not choose to live in areas with higher crime rates, worse pollution: they cannot afford not to. That is, the incomes of the people determine the character of the neighbourhoods they can afford to live in. The problem is poverty not where poor people live." (Cheshire, 2007). Consequently, unless regeneration policy deals with the causes of poverty, they may only provide some benefit to a limited number of households directly benefiting from any area based initiative;

- UDAs struggle to provide significant improvements in residents' incomes, produce employment related benefits and sustainably improve the local economic conditions once the counterfactual is considered;

- Regeneration strategies such as mixed communities initiatives are likely to fail unless there are integrated with policies designed to tackle the underlying causes of poverty and help link residents to economic opportunity;

- UDA led changes to the physical environment and housing feed through fairly quickly into resident satisfaction with an area and perceptions relating to satisfaction with an area as a place to bring-up children. Residents typically felt safer, more involved with the community and had marginally better health outcomes as a result of these place related benefits.

- British experience suggests that while regeneration policies attempted to reduce social exclusion and neighbourhood inequalities at a local level other government promoted neo-liberal approaches to managing the economy tended to have the opposite effect. These policies such as deregulated labour markets and benefit reform tended to increase inequality. The key learning is that urban regeneration strategies need to be integrated with the wider government policy settings, goals and objectives so they are not working against one another;
- UDAs can have an impact on the level of new development activity at a local level. Their ability to influence supply across a housing market is influenced by the scale of their operation relative to the market. Overseas studies suggest that, in some circumstances, they can be effective in unblocking construction activities in some localities by providing appropriate infrastructure; planning rules, regulations, and approvals; and dealing with issues such as the fragmented ownership structure within redevelopment sites;
- UDAs have both the potential to increase the supply of social and affordable housing and decrease affordability. By their very nature, UDAs seek to improve the urban environment within their target area, which, if they are successful is typically capitalised into increased rents and house prices (government led gentrification). Thus, without specific mechanisms to maintain or grow the supply of affordable housing, they can have a negative impact. To have a lasting impact affordable housing stock needs to be retained as affordable in the longer term rather than just initially sold at an affordable price;
- Any intervention needs to have a clear and focused strategy around maintaining and growing the supply of social and affordable housing within the target area;
- UDAs can have an influence on the rates of owner occupation at a local level if this is one of their key goals and objectives. However, because of scale issues they are unlikely to have a significant national impact; and
- Without appropriate strategies, physical regeneration policies tend to raise property and land values so land owners and landlords gain, but these groups are generally not the target audience for these policies;
- Depending on the characteristics of the UDA and the market conditions in which they are operating the benefits of their activities can spill over into adjoining areas. The size of their impact diminishes with distance.

7. UDA case studies

7.1 Introduction

Three case studies were selected to examine examples of urban development agencies (UDAs) and their outcomes. The goal is to review their outcomes against the key learnings from the earlier stages of the report and focus on the outcomes (economic, financial and wider benefits) generated by the UDAs. These include factors such as financial returns, wider economic value created, impacts on housing supply, innovative design solutions, impact on the supply of social and affordable housing, community outcomes encompassing crime/violence, health outcomes, employment and household incomes, education and community participation. The following UDA case studies were selected to ensure the conclusions would be relevant in New Zealand:

- Hobsonville Land Company – Auckland – New Zealand
- Renewal SA – South Australia
- Places Victoria – Victoria, Australia

The UDA case studies are reported in Appendices 1 to 3 respectively, and a summary of key findings follows. Table 7.1 summarises the key features and outcomes of the UDA case studies.

Table 7.1: UDA case studies summary

	Hobsonville Land Company	**Renewal SA**	**Places Victoria**
Location	Auckland, New Zealand	South Australia	Victoria, Australia
Type	Single greenfields development	Multiple project	Multiple project
Ownership	Wholly owned subsidiary of Housing New Zealand Corporation	State Government	State Government
Performance outcomes			
Overall Profit/Loss 2014/2015	Not reported	(122.8m) AUD	$25.2 m AUD
Wider economic benefits	Not measured	Not measured	Not measured
Impact on supply	4% to 5% of market over projects life	Approximately 5% of market	Not available
Affordable housing policy	20% sold at or below 80% of median market price	15% as affordable – based on 30% of gross household income in housing costs	No affordable housing policy

Table 7.1: Case study summary continued

	Hobsonville Land Company	Renewal SA	Places Victoria
People related outcomes			
Goals	Clearly stated	Clearly stated and include people related objectives	No specific people related goals unless directed to by the State government
Comment	Appropriate for greenfield	In line with best practice	Short of best practice as people based initiatives in conjunction with development tend to deliver better outcomes
Environmental outcomes			
Goals	Clearly stated	Published framework for ensuring sustainability	Published framework for ensuring sustainability
Comment	Appropriate for greenfield	Results of monitoring outcomes not published	Results of monitoring outcomes not published
Place related outcomes			
Goals	Demonstrate a range of innovation in design for location	Demonstrate a range of innovation in design for location	Demonstrate a range of innovation in design for location
Comment	Broadly in line with best practice	Broadly in line with best practice	Broadly in line with best practice

All three UDAs perform well in some aspects of their operation. However, all could improve the transparency of their operation by regularly reporting some aspects of their performance. The goals and objectives established by their boards also have an impact on their overall outcomes, particularly around affordable housing and people based initiatives.

7.2 Hobsonville Land Company

Hobsonville Point is currently being developed by Hobsonville Land Company (HLC) on behalf of the Crown. HLC is an example of a single project greenfield UDA.[13] The land associated with the development was previously part of a defence base that was declared surplus to requirements in 2002. HLC has a small team focused on the Hobsonville Point development and reports to the HLC board, which comprises a mix of Housing New Zealand Corporation (HNZC) and independent board members. Board members include Adrienne Young Cooper (currently HNZC board chair)

HLC's vision for Hobsonville Point is that of a sustainable community embodying quality urban development with an environmentally responsible focus. The company's overarching vision is to build a strong community by providing a range of well designed, well built and energy efficient homes with an environmentally responsible focus. Amenities like parks, schools and local shops and businesses are being facilitated concurrent with residential development to help create a vibrant place with a thriving community. Part of the vision includes protecting the unique character which stems from the landscape, buildings and military history of the area, and this involves retaining as much of the heritage as practical.

HLC is undertaking the development of the land in partnership with private sector partners/developers. The development is now projected to deliver 3,500 dwellings over an expected 10 to 15 year timeframe. HLC has made significant progress in developing the site. Private sector partners now include Jalcon Homes, Universal Homes, Classic Builders, GJ Gardner, Willis Bond and AV Jennings.

HLC is a wholly owned subsidiary of HNZC and there were no publicly available accounts focused solely on their financial performance. Rather a summary was included in HNZC's annual report. HNZC's accounts do include separate accounts for the Housing Agency Account, which is almost entirely related to HLC. However, it is still difficult to ascertain HLC's performance from this information, for example, it was not possible to identify the organisation's return on equity and/or investment.

The goals and objectives associated with people and social outcomes are clearly stated. A range of factors are monitored every second year, with the results publicly available. However, there was significant change in the number and types of questions asked. This part of their reporting is in line with best practice

Environmental goals and objectives are clearly stated and a range of factors have been monitored every second year and the results published on HLC's web site. This approach is broadly in line with best practice.

[13] Subsequently HLC has been linked to a number of other urban renewal projects including redevelopment projects in Northcote and Three Kings, both of which are located in Auckland.

HLC development strategies and processes are consistent with best practice and the key learnings identified with a couple of exceptions:

- The financial results lack transparency;
- No assessment of the wider economic costs and benefits resulting from the development has been completed. As the development nears completion an economic cost and benefit study considering the wider outcomes from the project would provide worthwhile information on the impact of this market intervention. If this study was undertaken, it would be important to consider the counterfactual as well.
- On completion, the project will have made a small but significant impact on the supply of dwellings in the market. To some extent, this would be likely to have happened if the development site had been sold to the private sector. However, the timeliness of the development and the outcomes achieved would likely have been different.
- A component of retained affordable and/or social housing in conjunction with a community housing provider would result in a more enduring impact on the supply of affordable housing within the development.

7.3 Renewal SA

Renewal SA is the South Australian state government's property development agency. Renewal SA and its predecessors have been involved in urban revitalisation and land development in Adelaide and regional South Australia over a long period of time. Renewal SA is charged with leading urban renewal activities on behalf of the South Australia Government, including key priorities around affordable housing, renewal of social housing stock, and significantly contributing to achieving outcomes sought for urban development through the 30-year plan for greater Adelaide. Renewal SA's ongoing strategic role in relation to the 30-year plan includes identifying and assembling development sites for the state.

Renewal SA has three key roles and these include:

- Orderly release of greenfield land for development by the private sector;
- Urban regeneration within Adelaide's existing urban area; and
- Redevelopment of the public housing portfolio.

Renewal SA is a multiple project UDA delivering both residential and non-residential projects. Their projects and activities seek to:

- Contribute to the vibrancy and sustainability of Adelaide and South Australia;
- Deliver well planned urban renewal which accelerates the renewal of neighbourhoods, increases the supply of affordable housing and living opportunities and ensures future urban growth enables cost effective access to jobs, services, infrastructure and amenities;
- Facilitate land based projects that add economic prosperity, industry innovation and jobs growth; and
- Deliver value to South Australia's communities and stakeholders within a sustainable financial model.

The key physical outputs from each project are published in Renewal SA's annual reports. Themes from these projects demonstrate that:

- Renewal SA engages with the private sector selling development ready land with master planned frameworks in place for the private sector to complete the development;
- Renewal SA has increasingly become involved in innovative demonstration style urban renewal projects;
- A large portion of the sites reflect the regeneration of large brownfield sites to mixed-use developments;
- Renewal SA is involved in the greyfields redevelopment of social housing estates;

- A significant proportion of Renewal SA's developments involve a mixed-use theme; and
- Renewal SA's redevelopments incorporate affordable housing consistent with state guidelines.

The annual outputs from each development are discussed in the published annual reports although they are not explicitly set out in a summarised table. Goals and objectives for each project for the next year are clearly identified.

Renewal SA has had a varied financial history and between 2012 and 2015 lost a total of 66.4 million AUDs. The results reflect the challenges the organisation has faced. These challenges include changing market conditions which have slowed the rate of development within some projects, and an increased emphasis on urban renewal and restructuring that occurred within the organisation. These factors impacted on the level of profit generated and the organisation's asset base. Although the organisation's financial performance is reported annually, limited information is available on individual projects.

Renewal SA has a comprehensive affordable housing policy which is in line with the state affordable housing policy for large developments. They have also developed a comprehensive framework for ensuring the ecological sustainability of their developments. The process would be more transparent if the results monitoring the developments' outcomes were published alongside the framework standards established.

Renewal SA has incorporated many of the attributes of best practice for urban regeneration agencies. Their people related strategies and development processes are consistent with best practice and the key learnings identified with a couple of exceptions:

- The financial results of individual projects lack transparency;
- There has been limited assessment of the wider economic costs and benefits resulting from the developments that have been completed;
- Like all publicly owned urban regeneration agencies their goals and objectives have changed in line with the political objectives of their owners; and
- The people and community initiatives incorporated into their projects along with their affordable housing strategies are likely to continue to provide good social outcomes.

7.4 Places Victoria

Places Victoria is the Victorian State Government's property development agency. Places Victoria and its predecessors have been involved in urban revitalisation and land development in metropolitan Melbourne and regional Victoria for more than two decades. Places Victoria was established in 2011 as the state's property development agency with a mandate to deliver urban renewal. It replaced the then existing agency VicUrban, which itself had evolved from the 2003 merger of two government land organisations - the Urban and Regional Land Corporation (which played a key role in the development of Melbourne's growth corridors) and the Docklands Authority (which was set up in the early 1990s to oversee the development of Melbourne's Docklands).

Places Victoria's goals and objectives set out under its establishing legislation are to:

- Carry out, manage or co-ordinate the carrying out of urban renewal projects;
- Contribute to the implementation of government urban planning and development policies;
- Undertake declared projects; and
- Complete the development of the Melbourne Docklands area.

Places Victoria is also required to carry out its functions on a commercial basis, and it reports directly to the Minister for Major Projects. Places Victoria is involved in the development of multiple sites that demonstrate:

- They proactively engage with the private sector to sell development ready land with master planned frameworks in place for the private sector to complete the development;
- It has increasingly become involved in innovative demonstration style urban renewal projects;
- Its developments typically incorporate significant areas of open space public amenity;
- It does not have a fixed housing affordability strategy and typically relies on state or federal subsidies to offset the cost of including affordable housing within a development;
- A significant proportion of its developments involve the delivery of a mix of uses; and
- Historically Places Victoria has facilitated the redevelopment of State or Federal land owned by other government entities in a joint venture/profit sharing arrangement.

Places Victoria has had a varied financial history and between 2011 and 2015 lost a total of 107.2 million AUDs. The results reflect the challenges the organisation has faced. These challenges include changing market conditions impacting on the value of greenfield land, a change in its development focus from greenfield development to urban renewal and the resulting restructuring that occurred within the organisation. These factors impacted on the level of profit generated and the organisation’s asset base. Although the organisation’s financial performance is reported annually, limited information is available on individual projects.

Places Victoria’s mandate is as a property development company, and it does not undertake people based initiatives unless directed to by the state government.

Places Victoria and its predecessors have developed a comprehensive framework for ensuring the ecological sustainability of their developments. The process would be more transparent if the results monitoring the developments ‘outcomes were published alongside the framework standards established.

Places Victoria development strategies and processes are consistent with best practice and the key learnings identified with a couple of exceptions:

- The financial results of individual projects lack transparency.
- No assessments of the wider economic costs and benefits resulting from the developments have been completed. As the developments near completion, an economic cost and benefit study considering the wider outcomes from the projects would provide worthwhile information on the impact of this market intervention. If these studies were undertaken, it would be important to consider the counterfactual as well.
- Incorporation of people/social initiatives in urban renewal projects may result in better outcomes.
- Incorporation of affordable and/or social housing in developments in conjunction with community housing providers would result in an increase in the supply of affordable housing.

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Appendix One

Case study – Hobsonville Land Company

Case Study One – Hobsonville Land Company

A1: Introduction

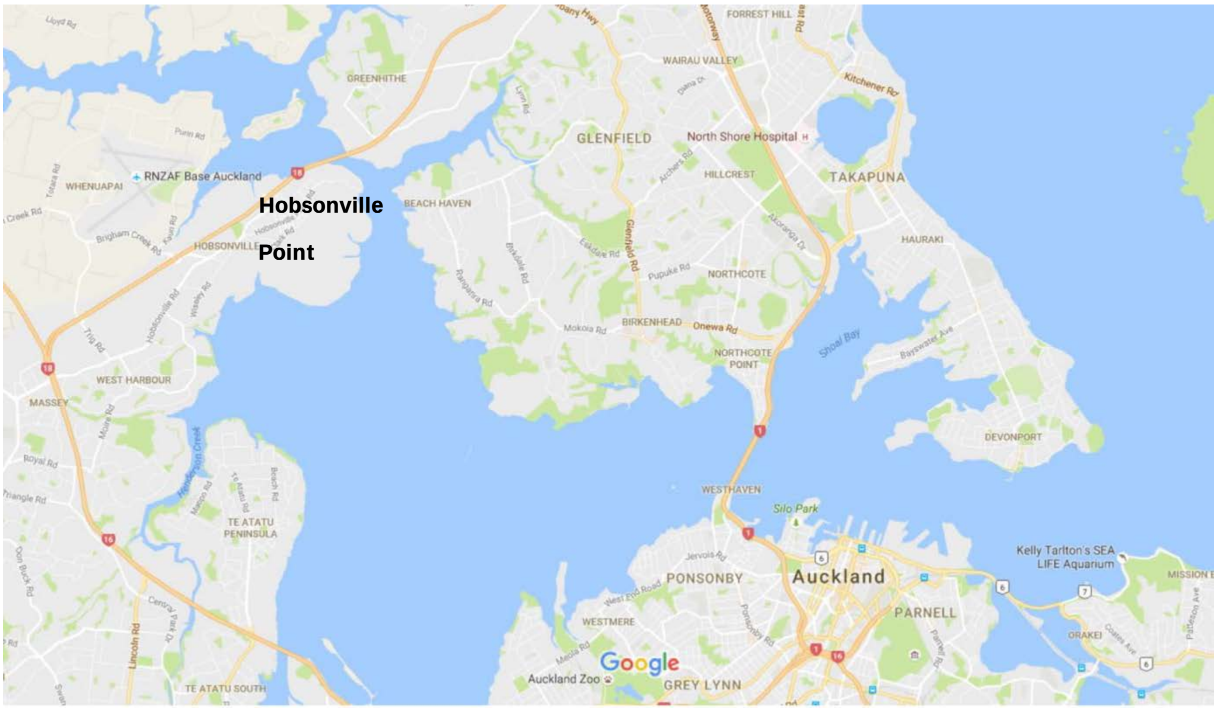
Hobsonville Point is currently being developed by Hobsonville Land Company (HLC) on behalf of the Crown. HLC is an example of a single project greenfield urban development authority (UDA).[14] The land associated with the development was previously part of a defence base that was declared surplus to requirements in 2002. The objective of this case study is to provide an overview of HLC's Hobsonville Point Development and compare their operation and outcomes against the key learnings identified in the international research.

This case study provides an overview of Hobsonville Land Company and the Hobsonville Point Development, summarises their performance to date and compares HLC outcomes with the key learnings from overseas.

A1.1: Hobsonville Land Company

The land incorporated in the Hobsonville Point development was originally part of a Royal New Zealand Airforce base. Though land was identified as surplus to their requirements in 2001 and sold back to the government in 2002, subsequently the land has been rezoned to allow redevelopment to occur, and this process was completed in 2007. Hobsonville Point forms part of the land that was declared surplus to requirements. Figure A1.1 presents it location.

Figure A1.1: Hobsonville Point



Overview

[14] Subsequently HLC has been linked to a number of other urban renewal projects including redevelopment projects in Northcote and Three Kings both of which are located in Auckland.

Housing New Zealand Corporation (HNZC) has an agency agreement with the Crown to develop the land and has delegated its powers to HLC to carry out the development of 167 hectares of Crown land at Hobsonville Point. The Hobsonville Land Company (HLC) was established in 2005 as a wholly owned subsidiary of the HNZC, specifically to develop the site into an integrated development incorporating some 3,000 new homes. The HLC has a small team focused on the Hobsonville Point development and reports to the HLC board which comprises a mix of HNZC and independent board members. Board members include Adrienne Young Cooper (currently HNZC board chair)

HLC's vision for Hobsonville Point is that of a sustainable community embodying quality urban development with an environmentally responsible focus. The company's overarching vision is to build a strong community by providing a range of well designed, well built and energy efficient homes with an environmentally responsible focus. Amenities like parks, schools and local shops and businesses are being facilitated concurrent with residential development to help create a vibrant place with a thriving community. Part of the vision includes protecting the unique character which stems from the landscape, buildings and military history of the area and this involves retaining as much of the heritage as practical.

HLC is undertaking the development of the land in partnership with private sector partners/developers. The development is now projected to deliver 3,500 dwellings over an expected 10 to 15 year development timeframe. HLC has made significant progress in developing the site and is an example of a single project greenfield UDA. Private sector partners now include Jalcon Homes, Universal Homes, Classic Builders, GJ Gardner, Willis Bond and AV Jennings.

HLC typically develops and subdivides super lots of serviced land which it then on sells to their development partners who subdivide the super lots and build the dwellings. HLC's original goal was to develop approximately 3,000 homes[15] and include other facilities within the development such as parks and schools. A total of 85% were to be privately owned, while around 15% were to be state housing social rentals financed by HNZC and dispersed throughout Hobsonville Point.

However, the setting aside of a good portion of land for state housing was criticised as an economic mistake by the then parliamentary opposition (National Party). Once elected to government in 2008, the National led administration removed the state housing requirements from Hobsonville Point and instead introduced a 'gateway housing' scheme to help first-time home buyers.

[15] It is now likely that HLC's Hobsonville Point development will include over 3,500 dwellings due to the densities achieved within some precincts.

Governance

Hobsonville Land Company has a board of six directors including HNZC's chief executive or nominee. The chair is Adrienne Young Cooper who is also HNZC's current chair. Other board members include Greg Groufsky (Deputy Chief Executive HNZC), Carlie Eve, John Duncan, Kerry Stotter and Richard Didsbury.

Goals and objectives

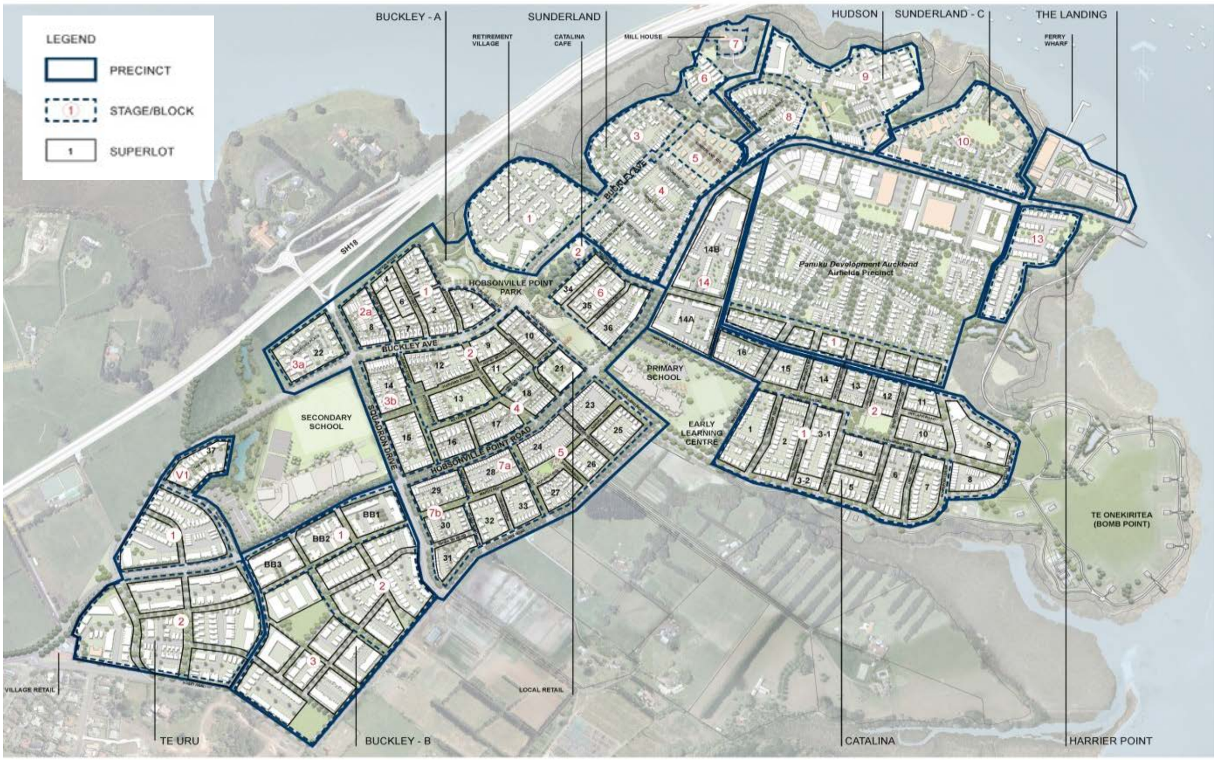
The vision for the development is supported by a sustainable development framework that was created at the outset of development - the 'performance measurement and reporting for Hobsonville Point document. This reporting framework captures the overall vision for the development and defines aspirational goals, objectives and indicators in the four spheres of environment, economic, social and cultural.

The development is on Crown land and will see the construction of up to 3,500 new homes. Under a Cabinet mandate 20 percent must be priced for affordable home buyers. Community facilities such as schools, recreational spaces, and reserves have been developed, along with a waterfront area with a ferry terminal.   The project's principles included opening up 4 km of harbour waterfront to the public for recreational and community use, including central city ferry services and public bus transport into the development and sites for two schools (primary and secondary) and demonstrating the feasibility of a diverse range of style of dwellings within the development.

Master plan, design and innovation

As part of the development of the site one of HLC's key roles was to clean up/remediate sites, provide infrastructure, and create the master planned framework for the development. Figure A1.2 presents Hobsonville Point's concept plan.

Figure A1.2: Hobsonville Point concept plan



Source: HLC

The development was divided into a number of different precincts, and each precinct was divided into a number of super lots. Each super lot was sold to a business partner to develop within the agreed master planned framework. The density achieved has typically increased as the project has progressed. The densities achieved within the development exceed what has typically been included within greenfield developments in similar locations. The last 18 super lot sales achieved an average dwelling density of 73 dwellings per hectare. (673 dwellings on a total of 9.24 hectares sold). The densities achieved ranged from 48 to 176 dwellings per hectare.

Figures A1.3 to A1.5 present examples of the style of development completed within Hobsonville Point.

Figure A1.3: Medium density housing at Hobsonville Point

Source: HLC

Figure A1.4: Medium/high density development at Hobsonville Point

Source: HLC

Figure A1.5: Terraced housing at Hobsonville Point

Source: HLC

HLC's affordable housing strategy

HLC has adopted an affordable market strategy where 20% of the dwellings are sold at "affordable prices". Subsequently these units may be resold by the owners at prices which reflect their market value with no constraints.

The key principles associated with the affordable housing strategy were that they would be delivered in partnership with the private sector with HLC taking the lead on the development of new and innovative design. Other principles include that the homes are well designed, home ownership is prioritised, builders achieve an agreed margin, HLC achieve a target land value, costs are aggressively managed and the affordable homes are integrated into the overall scheme in small groups. The affordable homes will typically be delivered as standalone dwellings, terraced houses and with some apartments. The affordable prices have been achieved by adopting innovative designs and building small footprint dwellings.

Affordable housing plans published in 2012 were for:

- 10% of houses at or below $400,000;
- An additional 5% of houses between $400,000 and $450,000; and
- An additional 5% of houses between $450,000 and $485,000

The price points for the various typologies were developed using a market segmentation approach targeting:

- Households with one or two working adults;
- Household earning between 80% and 120% of Auckland's average full time wage;
- Buyers who have saved a 10% deposit which may include KiwiSaver contributions; and
- Households paying no more than 30% of their gross household income on mortgage repayments assuming a 5-year fixed mortgage.

In addition to the adopted affordable housing strategy HLC sold two super lots to a consortium including Ngāi Tahu, New Ground Capital and the New Zealand Super Fund, where the developers stated intention is to include 22.5% of the units as retained affordable housing.

A1.3: Outcomes

The objective of this section of the case study is to review HLC's Hobsonville Point outcomes, include:

- Physical property market outputs;
- Environmental;
- Social/community;
- Cultural outcomes; and
- Financial and economic results.

Physical property market outputs

HLC's goal was to provide a range of typologies with mixed densities and demonstrate to the market what is feasible in a green field site together with developing a community within the development. HLC initially invested in infrastructure (transport and water related expenditure) and completed the remediation of the land which included the decontamination of sites with asbestos present. Table A1.1 presents the number of dwellings sold at Hobsonville Point

Table A1.1: Number of dwellings sold at Hobsonville Point

Calendar Year	Number of homes completed	Number of homes sold
2011		34
2012		103
2013		167
2014		221
2015		443
2016 (YTD)	816	313
Total	816	1,271

Source: HLC

NB: HLC only started tracking completions in 2016

HLC are on track to provide more than their revised goal of 3,500 dwellings within the development and meeting the affordability goals established in conjunction with their shareholders. As the development has progressed the density of the sites developed has increased. To HLC's credit, they engaged with the developer partners and demonstrated the financial viability of typologies that traditionally would not have been included in a greenfield project.

The primary and secondary school sites have been developed into operational schools. The sale of a super lot to a retirement village operator will also assist in meeting HLC's goals of developing a mixed tenure community.

Flow over benefits from the development are reflected in increased land values in the surrounding area, with bare land sales over the last 12 months typically ranging from $250 to $300 per square metres for two to seven hectare sites.

Environmental outcomes

The following presents an overview of the development's environmental goals and objectives, the metrics used to measure the results and how the actual results compare against the goals and objectives. Table A1.2 presents the results of the environmental outcomes monitored by HLC in 2013 and 2015.

Table A1.2: Environmental outcomes

	2013	2015
Environmental		
Green corridor with at least 10% of the site covered in native vegetation	On track	On track
Native flora and fauna species increase in abundance and diversity	Not measured	No significant change
Average household grid energy consumption 6500 kw or less	5743 kwh	6269 kwh[16]
Average water consumption of 100 litres of water or less per day	110 litres	105 litres[17]
Mixed household waste collected less than 100 kg per year	Not measured	Not measured[18]

Source: Hobsonville Land Company – Sustainability Report 2014/2015

In addition, HLC have developed their own native plant nursery which has provided the majority of the plants for enhancing the natural environment. They have also provided a number of pocket parks within the development to increase the amount of public amenity provided as the density of residential units has increased.

[16] 12% lower than the Auckland wide average of 7115 kwh
[17] 33% lower than the Auckland average and 5% above the target.
[18] Data not available from Auckland Council

Social/community outcomes

Strategies and resources used to engage with the community and enhance the sense of residents' engagement within the development could include factors such as changes in:

- Level of crime;
- Community's relative sense of security;
- Health and well-being;
- Level of worklessness;
- Educational achievement and training;
- Tenure mix;
- Household income;
- Stability of households; and
- Relative level of crowding and under occupation.

A range of social indicators were included in the 2013 resident survey with a limited number repeated in 2015. Table A1.3 presents the social outcomes monitored by HLC in 2013 and 2015.

Table A1.3: Social outcomes

	2013	2015
Social		
% of people with positive contacts with neighbours	70% (target 80%+)	Not measured
% of people reporting negative contact with neighbours	3% (target 10% or less)	Not measured
% of people using local park or community facility in the last month	86% (target 70%+)	Not measured
% of dwellings that are at an affordable price point (Min for Housing)	- (target 20%+)	23% of all homes sold
Options available for renter households	-	On track
% who consider the neighbourhood is safe for unsupervised children	87% (target 80%+)	Not measured
% who feel the neighbourhood is safe after dark	93% (target 85%+)	Not measured
% who rate the quality of the public space as good or very good	85% (target 85%+)	Not measured
% of school children who walk/bike or catch public transport to school	43% (target 60%+)	Not measured
% who feel Hobsonville Point is safe for pedestrians	95% (target 95%+)	Not measured
% of cyclists who feel Hobsonville Point is safe	93% (target 95%+)	Not measured

Source: Hobsonville Land Company – Sustainability Report 2014/2015

A significant number of the social outcomes were not included in the 2015 survey. It would be advantageous to see how they track as the development nears completion.

In addition, HLC established a community fund which is held in trust for the residents. A small contribution from each property sale is allocated to the fund, which is then administered by an elected community group with the goal of enhancing engagement within the neighbourhood.

A range of community indicators were included in the 2013 resident survey with a limited number repeated in 2015. Table A1.4 presents the community outcomes monitored by HLC in 2013 and 2015.

Table A1.4: Community outcomes

	2013	2015
Community		
Place making strategy implemented by end of Buckley stage	Achieved	Achieved
% who feel a sense of community in local neighbourhood	66%	54%
% participating in local residents association/community body activities	Not measured	Not measured
% of residents who have taken action to improve natural environment	63%	Not measured
% of residents seeing fan tails and tui in garden or neighbourhood	26%	Not measured
% of residents who have visited at least one of the local heritage sites	Not measured	Not measured
HQ building, Mill House Arts & craft, officer style housing, and Sunderland lounge are retained and converted to appropriate uses	On track	On track
% of residents participating in cultural, sporting & recreational activities	Not measured	Not measured

Source: Hobsonville Land Company – Sustainability Report 2014/2015

It is difficult to assess HLC's progress on the majority of these measures as they were not subsequently included in the 2015 survey.

Economic outcomes

As a wholly owned subsidy of HNZC, there were no publicly available accounts focused solely on HLC's financial performance. Rather, a summary was included in HNZC's annual report. HNZC's accounts do include separate accounts for the Housing Agency Account, which is almost entirely related to HLC However, it is still difficult to ascertain HLC's performance from this information. For example, it was not possible to identify the organisation's return on equity and/or investment.

Table A1.5 presents the results of the economic outcomes monitored by HLC in 2013 and 2015.

Table A1.5: Economic outcomes

	2013	2015
Economic		
% of residents using a local retail outlet in the last week	88%	Not measured
% of businesses that have grown over the last 12 months	80%	Not measured
One new home delivered every working day	-	Achieved
Jobs per household at Hobsonville Point	Not measured	Not measured
% of residents in employment & who work in North West Auckland	Not measured	Not measured
Business case targets met	Achieved	Achieved
Households with one vehicle or less[19]	Not measured	Not measured
Workers who drive to work by themselves[20]	76%	79%

Source: Hobsonville Land Company – Sustainability Report 2014/2015

Limited other information is available on the economic and financial performance of HLC. Information released under an official information request dated 26th April 2016 by MBIE indicated they commissioned PwC to review the financial viability and the robustness of HLC's development and divestment plan in 2012. PwC concluded that "the project has normal commercial risks for a development of this type". However, the assessment of the net present value and the levels of potential of return were not released as they were considered commercially sensitive. HLC's overall goal is to generate a $20 million return in excess of the Crown's original capital investment on completion of the development. Indications from HLC suggest they will achieve this goal.

HLC noted one of the key challenges UDA's face is ensuring their goals and objectives remain aligned with the political agenda so as to not fall foul of government and consequently minimise the opportunity for political interference which may subsequently impact on their financial performance. In addition, other desirable attributes include operating with a lean focused management structure and ensuring that they are listening to the community and their needs.

[19] Long-term target of 50% or less
[20] Longer term target of 40% or less

A1.4: Conclusions

The objective of this section of the case study is to provide commentary on HLC's operation and performance relative to the conclusions on best practice or lessons learned identified earlier in the report. The commentary focuses on:

- People and social outcomes;
- Environmental outcomes;
- Place related outcomes; and
- Economic and financial outcomes.

HLC has monitored a number of social, environmental, community and economic outcomes in 2013 and 2015. This style of approach is broadly in line with overseas best practice. However, there were significant differences between the 2013 and 2015 survey's which makes it difficult to track performance.

People/social outcomes

- Goals and objectives are clearly stated. A range of factors are monitored every second year with the results publicly available. However, there was significant change in the number and types of questions asked.
- Hobsonville Point is a greenfield development and consequently no bench mark survey was required prior to the development's commencement.
- The concept is broadly in line with best practice;

Environmental outcomes

- The goals and objectives are clearly stated
- A range of factors have been monitored every second year and the results are published on HLC's web site.
- These were broadly in line with best practice.

Place related outcomes

Design and development process

- The concept design and implementation process adopted followed best practice.
- Issues associated with the provision of infrastructure (including investing in transport infrastructure) and site remediation were dealt with in the initial stages of the project.
- An infrastructure agreement was established with key regulatory authorities in the initial development start up.
- The master plan developed incorporated a degree of flexibility within each precinct which allowed the development to evolve with the market and provided a diversity of dwelling typologies and prices.

- The overall design tested the local market's demand for a range of densities and typologies in a greenfield location.
- HLC has progressively engaged with a range of super lot purchasers (developers/builders) in a partnership to drive the desired outcomes and provide them with a degree of certainty over the future supply of developable land.
- HLC demonstrated the viability of a range of concept typologies (for example, terraced houses, medium rise apartments, and walk up units). These typologies would not have traditionally been included by a developer in a greenfield development

Supply

- Goals and objectives clearly stated and will be exceeded when the development is completed.
- A design review panel is used to assess proposed developments to ensure they are consistent with the master plan and urban design guidelines.
- Overall the development will account for between 4% and 5% of the total number of new dwelling built in Auckland over the life of the project.
- The viability of different styles of development has been demonstrated although the impact on land prices achieved within the different super lots is not available.

Affordability outcomes

- HLC had a clearly stated goal which was agreed with their shareholders and they have exceeded these targets.
- HLC adopted a market affordability strategy to ensure 20% of dwellings sold meet predetermined price thresholds.
- No retained affordable housing in conjunction with community housing providers was included within the project.
- A recent super lot was sold to a consortium which proposes to include 22.5% of the units as retained affordable housing.

- In summary, the place related outcomes were broadly in line with best practice with the exception of not including a retained affordable housing component within the development.

Economic and financial

Financial outcomes

- Lack transparency with no detailed information publicly available

Overall economic costs and benefits

- No assessments completed of the wider benefits generated within the development relative to the costs
- This is one area HLC could improve with increased publicly available information on their economic and financial performance and the wider benefits they generate for the community.

Conclusions

- HLC development strategies and processes are consistent with best practice and the key learnings identified with a couple of exceptions:
- The financial results lack transparency;
- No assessment of the wider economic costs and benefits resulting from the development has been completed. As the development nears completion, an economic cost and benefit study considering the wider outcomes from the project would provide worthwhile information on the impact of this market intervention. If this study was undertaken, it would be important to consider the counterfactual as well.
- On completion, the project will have contributed a small but significant impact on the supply of dwellings in the market. To some extent, this would be likely to have happened if the block had been sold to the private sector. However, the timeliness of the development and the outcomes achieved would likely have been different.
- A component of retained affordable and/or social housing in conjunction with a community housing provider would result in a more enduring impact on the supply of affordable housing within the development.

Appendix Two

Case Study – Renewal SA

Case Study Two – Renewal SA

A2.1: Introduction

Renewal SA is the South Australian state government's property development agency. Renewal SA and its predecessors have been involved in urban revitalisation and land development in Adelaide and regional South Australia over a long period of time. In late 2011, Renewal SA was established by the merging of Land Management Corporation, the redevelopment functions of Defence SA and the strategic function of Housing SA (state public housing agency).

The case study provides an overview of Renewal SA, summarises their performance to date and compares Renewal SA's outcomes with the key learnings from overseas.

A2.2: Overview

Renewal SA is charged with leading urban renewal activities on behalf of the South Australia Government, including key priorities around affordable housing, renewal of social housing stock and significantly contributing to achieving outcomes sought for urban development through the 30-year plan for greater Adelaide. Renewal SA's ongoing strategic role in relation to the 30-year plan includes identifying and assembling development sites for the state.

Renewal SA incorporates all the residential and industrial landholdings of the former Land Management Corporation along with key landholdings from Defence SA and the specific urban renewal functions of Housing SA. A key objective for Renewal SA is to accelerate urban renewal, particularly in areas with high concentrations of ageing public housing assets, through partnerships with the private sector and the not for profit housing sector. By accelerating urban revitalisation, Renewal SA also seeks to maintain and expand jobs in the vital housing and construction sectors supporting ongoing sustainability for local businesses. Renewal SA is also unlocking and facilitating access to development opportunities for the private sector that may be available through the better use of government land holdings whether currently surplus or potentially surplus.

Renewal SA has three key roles:

- Orderly release of greenfield land for development by the private sector;
- Urban regeneration within Adelaide's existing urban area; and
- Redevelopment of the public housing portfolio.

In addition to these roles, Renewal SA have also been allocated the functions of:

- Coordination of the use and redevelopment of the state's assets on the land adjoining the Murray River; and
- Managing Capital Events which organises events and activities that make Adelaide an attractive and vibrant city.

Greenfield land release

A key role for Renewal SA and its predecessors has been the orderly release and sale of government owned greenfield land to the private sector for residential development. The objective is to ensure there is sufficient land available for development to maintain housing affordability. Unlike some of the other government owned land organisations in other Australian states, Renewal SA does not develop the land themselves. Renewal SA did not provide any infrastructure. However, the release of land takes into account Adelaide's 30-year plan and consequently is consistent with the state's strategy around infrastructure development. Its activity minimised the opportunity for land banking duopolies to manipulate land value outcomes. Under recent directives, urban renewal/regeneration within the existing urban area is to take a higher priority than ongoing greenfield land release.

Urban regeneration

The urban regeneration function evolved with the state's objective of increasing density within the existing urban area. The desire was for Renewal SA to benefit from the uplift in land value as they prepared sites for development and to use this gain to offset the cost of providing public amenity, site remediation and infrastructure upgrades associated with the project. The development ready sites would be sold to the private sector to develop in a way consistent with Renewal SA's master plan. The goals for the urban regeneration function included:

- Densification of the urban area;
- Increasing the utilisation of public transport;
- Focusing development activity along key transport nodes;
- Demonstrating to the private sector that a market exists for alternative dwelling typologies; and
- To slow growth on the fringe of the city by providing alternative dwelling typologies within the existing urban area.

One of the objectives was for Renewal SA to overcome a number of perceived barriers for densification by undertaking a number of demonstration projects. These perceived barriers were identified in research commissioned by Renewal SA:

- The perception that there is no market for medium density/apartment style living or that it only exists in the CBD. Developers typically had not offered this style of development to the market and considered that small lot housing was sufficient to satisfy the infill demand. Renewal SA would be able to provide leadership and demonstrate the depth of the market for this type of product, the goal being to educate both developers and the public about the attributes and opportunities this style of living can offer. Also, developers lacked expertise in this style of development.

- The planning systems, and statutory rules and regulations limited what could be done and where, and consequently, it was not always possible to undertake medium density developments in locations where it would be feasible to build. Also, community resistance to change could influence planning outcomes and limit development opportunities.

- The public infrastructure (public amenity and so on) was insufficient to support more dense developments. Other issues such as who should pay for public amenity, when should the payments be made and at what stage of the project should they be developed all impacted on the desire of private sector developers to undertake projects. Renewal SA undertaking the initial stages of these developments was seen as a way of overcoming these barriers with them effectively using the uplift in values associated with site accumulation, remediation and obtaining appropriate planning approvals to pay for the public amenity so they can be developed early in the project. The Bowden project is Renewal SA's best example of this process.

- Renewal SA was seen as a vehicle for remediating old sites and reusing the land. The Bowden project is an example of this as it reused an old coal to gas site and redeveloped it into housing. From a private sector perspective, the cost, riskiness and uncertainty over undertaking the remediation of these sites has limited appeal.

- The feasibility of more intensive development outside the CBD is not profitable. Once the land value combined with development costs are taken into account there is limited or no profit and no reward for the risks taken. One of Renewal SA's goals was to demonstrate that these projects could be profitably undertaken.

- That there was limited market demand for medium density units outside the CBD as why would someone choose to buy an apartment when they could buy a traditional (but older) dwelling in the surrounding suburbs for less. The role of Renewal SA was to demonstrate that there is a market and comparing traditional standalone dwellings with modern medium density units purely on price does not take into account all the life style attributes associated with the different typology. UDAs like Renewal SA can build and demonstrate the product and the impact that it can have on life styles- low maintenance, more free leisure time, lock and leave is all together a different product.

Redevelopment of the public housing portfolio

Renewal SA has the responsibility of redeveloping the state's public housing portfolio. Previously, the portfolio would have been characterised as being predominantly older style dwellings with slowly deteriorating quality. Renewal SA's role is to manage the redevelopment of the portfolio in conjunction with SA Housing Trust.

Governance

Members of the board of management responsible for Renewal SA are selected and appoint by the state government. Their individual and combined expertise to provide strategic governance and direction to its operations is taken into account by the state in the selection process. The board is responsible for policy development, strategic direction and for monitoring the performance of Renewal SA. The board is subject to the control and direction of the Minister for Housing and Urban Development.

Affordable and social housing strategy

Renewal SA operates in a way which is consistent with the state government's affordable housing strategy. The South Australia Government has made a series of legislative amendments in 2006 to require 15% of dwellings within 'significant new developments' to be affordable housing (for rental or purchase by eligible households). A third of the total affordable units are intended to be for high-needs groups.

Significant new development was defined to include land rezoned for residential or higher density uses and the redevelopment of government land. Affordable housing is defined with reference to a price threshold that is gazetted annually, based on 30% of the household income of servicing housing costs and earning up to 120% of the median household income. The detail of how the 15% affordable housing requirement is achieved is determined site by site.

The 15% affordable housing requirement is embedded in the standard planning processes when land is rezoned for residential or higher density residential development, with local government as plan maker (embedding any rezoning in local controls along with the triggered affordable housing requirement) and consent authority for subsequent development applications.

As the 15% affordable housing requirement applies to all major development sites, including government-owned sites, it has been common for the South Australia Government to employ existing alternative rezoning and (in the case of government sites) development assessment processes to streamline the master planning and development. In all cases, the delivery and monitoring of the affordable housing requirement were overseen by Housing SA, the state housing authority, through referral triggers in the planning controls.

Renewal SA is the main driver for major urban renewal developments in Adelaide, and one their roles is to test the market for different forms of affordable housing. These have included attached and multi-dwelling housing typologies and have typically taken the development risk that private developers would not.

In addition, in greenfield areas, Renewal SA has managed to demonstrate the market viability of achieving the 15% affordable housing requirement in greenfield projects, primarily through low cost home ownership. This is now being replicated by private developers. Renewal SA in conjunction with Housing SA is also undertaking partnerships with private developers in demonstration projects.

Anecdotal evidence published in the media suggests that private sector developers are less enthusiastic about the policy. This is understandable as it adds an additional cost to the development. However, if they are buying the land off the state (via a Renewal SA project), this should be reflected in the land value paid.

A2.3: Outcomes

The objective of this section of the case study is to review Renewal SA's outcomes which include:

- Property market outputs;
- Environmental outcomes;
- Social and community outcomes;
- Cultural outcomes; and
- Financial and economic outcomes.

Property market outputs

Renewal SA is a multiple project UDA delivering both residential and non-residential projects. Their projects and activities seek to:

- Contribute to the vibrancy and sustainability of Adelaide and South Australia;
- Deliver well planned urban renewal which accelerates the renewal of neighbourhoods, increases the supply of affordable housing and living opportunities and ensures future urban growth enables cost effective access to jobs, services, infrastructure and amenities;
- Facilitate land based projects that add economic prosperity, industry innovation and jobs growth; and
- Deliver value to South Australia's communities and stakeholders within a sustainable financial model.

Renewal SA's annual report clearly sets out each project's goals and objectives, their progress to date and the targets for the next year. A summary of the major projects is presented in Table A2.1:

Table A2.1: Renewal SA's major projects.

Project / Timeline	**Land area**	**Outcomes on completion**	**Funding**	**Other related Initiatives**	**Other outputs**
Bowden 2008 to 2026	16.4 ha	2,400 dwelling & 3,500 people housed	$264.7 million public Investment	57 Accredited training places 47 work experience 35 paid employees	12,000 m2 retail space and 15,000 to 20,000 m2 of office space
Playford Alive 2012 to 2025	500 ha	40,000 people housed	$351 million public investment	236 Accredited training places 280 work experience 66 paid employees	2 wetlands and 3 new schools
Port Adelaide Renewal 2012 to 2025	40 ha	2,000 dwellings and 4,000 to 8,000 people housed	$1 billion	57 Accredited training places 49 work experience 15 paid employees	Harts Mill redevelopment
Tonsley 2012 to 2022	61 ha	1,200 people housed, 6,300 jobs created, and 8,500 students	$253 million public and $1 billion private	57 Accredited training places 47 work experience 35 paid employees	
Woodville West 2010 to 2022	13 ha	425 dwellings	$131.7 million public investment	46 Accredited training places 34 work experience 36 paid employees	Urban regeneration of 180 aged social housing units

Source: Renewal SA' 2015 Annual Report and Web Site

The key themes from these projects demonstrate:

- Renewal SA engages with the private sector selling development ready land with master planned frameworks in place for the private sector to complete the development;
- Renewal SA have increasingly become involved in innovative demonstration style urban renewal projects;
- A large portion of the sites reflect the regeneration of large brownfield sites to mixed-use developments;
- Renewal SA is involved in the greyfields redevelopment of social housing estates;
- A significant proportion of Renewal SA's developments involve a mixed-use theme; and
- Renewal SA's redevelopments incorporate affordable housing consistent with state guidelines.

The annual outputs from each development are discussed in the published annual reports although they are not explicitly set out in a summarised table. Goals and objectives for the next year are clearly identified.

Recent activity in some of Renewal SA's other projects is presented in Table A2.2.

Table A2.2: Activity in other Renewal SA projects

Project / Timeline	Land Area	Allotments	Funding	Other outcomes
Greater River Bank 2013 to 2033	380 ha	-	$4.7 billion public and private since 2010	16 participants for the Riverbank Works project in the living training site programme.
Lightsview 2006 to 2020	100 ha	2,700 dwellings and 5,000 people	$170 million public and $580 million private	4.2 ha retirement village and 110 place aged care facility. 2014 winner of the UDIA's best master planned development in 2014.
Edinburgh Park Industrial Park 2004 to 2035	600 ha	130 (total)	$96.4 million total	
Seafood Industrial Park 2004 to 2018	30 ha	92 (total)	$8 million total	
East Grand Trunkway 2014 to 2015	25 ha	9 (Stage 1)	$15 million - stage 1	
Lipson 2014 to 2025	407 ha	Yet to be subdivided	$2 billion private	
Port Direct 2010 to 2025	37	13 (stage 1)	$20 million – stage 1	

Source: Renewal SA

The level of public and private investment associated with these projects suggest that careful financial over sight of the projects, processes and outcomes is appropriate. Renewal SA can exercise the powers of compulsory acquisition when a project has been declared under the enabling legislation. The control of the planning powers varies with each project. Planning approvals are generally handled by the local council, and Renewal SA is a referral authority, which requires the approval authority (state or local) to take into account Renewal SA's recommendations on planning matters. Renewal SA works with key infrastructure providers as required by the specific demands of a project and does not have specific powers or relationships with infrastructure providers.

Environmental outcomes

Renewal SA's projects aim to deliver sustainable places and communities designed and developed as great places for people to live. Strategies adopted to achieve this include:

- Prioritising development close to transport and growth areas identified in the 30-year plan for Greater Adelaide.
- Developing quality marketable products and places where people choose to live and invest.
- Undertaking respectful and inclusive community engagement to create a common vision.
- Developments that link affordable housing and employment options.
- Development plans that incorporate sustainability into decision making from early planning stages to delivery.

Renewal SA's focus is to ensure their developments meet the following sustainability goals:

- Create sustainable places and communities;
- Future proof the places they develop;
- Ensure community access, lifestyle and liveability; and
- Ensure respect for local culture and the environment.

Renewal SA typically uses a series of measurable bench marks for the provision of outdoor space, atmosphere indicators, the use and treatment of water and waste water, transport to and within the precinct, energy consumption, building materials, indoor environmental quality, waste and recycling indicators and innovation in design solutions. Consequently, this approach provides the framework for establishing appropriate design guidelines and measuring a range of environmental outcomes from the development. These include:

- Increasing the energy efficiency within dwellings 15% by 2020.
- Increasing the use of public transport to 10% of metropolitan weekday passenger vehicle kilometres travelled by 2018.
- Ensuring their developments are consistent with the principle that South Australia's water resources are managed within sustainable limits by 2018.

Social and community outcomes

Renewal SA works with community members and other stakeholders to plan and design residential areas to ensure that the resulting communities are safer, stronger, wealthier and more sustainable. The community planning activities involve planning for the needs and aspirations of communities around outcomes such as accessibility and mobility, health and safety, community development, cultural heritage and cultural development. Other important outcomes that are included in the community plans are economic development and employment, housing, recreation, human services and community facilities. Renewal SA creates detailed precinct plans through consultation with government agencies, local communities, councils and other stakeholders. Consultation centres on the best delivery of appropriate infrastructure, human services, streetscapes and open spaces. Renewal SA carries out consultation before development starts, either directly with interest groups and communities or through private sector representatives.

Renewal SA has also developed a number of works programmes aimed at increasing the skills of the people living within their communities and providing employment. Renewal SA's first training employment programmes were run within the Playford Alive project. These proved so successful that they were extended to the Bowden project in 2012 and to Tonsley, Port Adelaide and The Square at Woodville West projects in 2014. The activities associated with the works programmes are developed in partnership with a variety of project partners, training providers and interest groups to benefit whole communities. There are three types of training and employment under the programme:

- Employment and work experience opportunities in Renewal SA managed contracts.
- Engagement, training and employment programmes.
- Live training sites using Renewal SA owned land to provide local on-site training models for registered training organisations

Although Renewal SA is not formally required to report on these outcomes, they do undertake evaluations of the communities within their developments. These are generally not published and are internal documents. For example, Renewal SA has undertaken evaluations of their Playford Alive development. A survey of residents was undertaken in 2009 to provide a benchmark of how community and social outcomes evolved over the course of the development. A follow up evaluation was undertaken in 2015 to monitor progress within the development. The factors included in the evaluation included:

- Affordable housing sales;
- Housing stress within the community;
- Housing density outcomes and diversity within the development;
- Housing tenure trends;
- Sense of community;
- Quality of the physical environment;
- Quality of the recreational areas;

- Maintenance of public open space;
- Energy efficiency of the buildings developed;
- Level of reported crime;
- Community's perception of safety; and
- Use and perception of public transport.

Playford's 2015 evaluation was completed part way though the development and typically demonstrated an improvement in most of the factors incorporated within the evaluation.

Financial and economic outcomes

Renewal SA's financial and performance targets are established in their ownership framework. However, as the South Australian State Government Auditor General noted *"The [Urban Renewal Authority (trading as Renewal SA)] has been in the process of establishing an ownership framework since its establishment in March 2012. Our follow-up in 2014-15 indicated the ownership framework was yet to be finalised and formally approved. It is of particular concern that the URA has operated without an approved ownership framework for a period of more than three years. In the absence of a formal approved ownership framework, Cabinet's expectations regarding the URA's role, functions and funding arrangements may be unclear. This may result in the URA not conducting its operations in accordance with government expectations."* (Government of South Australia, 2015, p. 569)

Thus it is unclear what Renewal SA's actual performance targets are other than to operate in a commercially astute manner.

Renewal SA is not currently formally required to monitor or report on the wider economic costs or benefits of its projects. Renewal SA publishes annual reports which present their consolidated financial outcomes annually. In addition, they are also subject to oversight from the state's budget and finance committee. Although some of the reports submitted to the committee are not publicly available the transcripts of the committee's minutes are. For example, in the August 2016 hearings, committee members discussed a number of outcomes in Renewal SA's accounts, asking them to justify their outcomes. These included:

- The $53.7 million write down in the value of the Tonlesy development. Originally the site was purchased for $35 million with an additional investment of $188 million which implies the development will result in a significant loss.
- Playford Alive written down by $51.2 million along with reduced capital expenditure to reflect changing market conditions.

Renewal SA noted that to some extent the results reflect changing market conditions, the prices paid for the sites which in some cases were before the global financial crisis, and the costs and the risks of decontaminating the sites. For some of their larger projects, Renewal SA commissions economic impact assessments of proposed developments, but these are not publicly available.

Renewal SA has had a varied financial history. Table A2.3 presents their financial performance between 2012 and 2015.

Table A2.3: Renewal SA's financial performance ($ million AUDs)

	2012	2013	2014	2015
Revenue from sales	12.9	87.3	63.8	48.3
Less cost of sales	4.4	31.5	33.6	33.7
Gross profit	8.5	55.8	30.3	14.6
Other Incomes	16.5	40.1	52.1	52.1
Net gain from administrative restructure	373.2	81.8	4.0	-
Total Income	**398.2**	**177.8**	**86.4**	**66.6**
Expenses				
Employee benefits	6.2	18.0	20.7	25.3
Operating expenses	15.4	44.8	67.5	51.0
Borrowing costs	5.3	8.9	13.7	14.9
Depreciation and amortisation	0.2	0.5	0.6	0.9
Net loss from change in non-current assets	44.3	98.4	23.1	96.7
Net loss - disposal of non-current assets		0	0	1.0
Payments to other SA entities	238.4			
Total Expenditure	309.7	170.6	125.6	189.5
Profit/(Loss) before income tax equivalent	***88.4***	***7.2***	***(39.2)***	***(122.8)***
Income tax equivalent expenses				
Profit/(Loss) after income tax equivalents	***88.4***	***7.2***	***(39.2)***	***(122.8)***
Financial Status				
Total assets	653.2	660.4	680.9	660.1
Total liabilities	456.8	451.0	510.8	558.8
Total Equity	***198.4***	***209.3***	***170.2***	***47.3***

Source: Renewal SA's Annual Reports

Renewal SA noted that the decline in their performance is a result of valuation losses as a result of difficult market conditions. The results presented in Renewal SA's annual reports reflect the challenges the organisation has faced with challenging market conditions, the risks associated with redeveloping contaminated sites, change in their development focus from greenfield development to urban renewal and the resulting restructuring that occurred within the organisation. These factors impact on the level of profit generated and the organisation's asset base.

At a project level, Renewal SA has its own financial and commercial performance objectives and targets. As a general rule:

- All projects must meet a specific commercial rate of return which may take into account the broader objectives within the development; and
- Renewal SA must submit a development plan outlining the projects feasibility to their Minister who refers it to the Development Assessment Commission for a recommendation.

The Development Assessment Commission must take into account:

- The character of the precinct and adjacent areas;
- The potential social, economic and environmental impacts of the proposed redevelopment of the precinct;
- The resilience of the environment to cope with urban renewal within the precinct;
- The degree of confidence in the prediction of impacts resulting from the proposed redevelopment of the precinct;
- The extent to which undesirable impacts which may occur are likely to be irreversible;
- The extent to which impacts, and requirements for monitoring and assessing impacts will be ongoing;
- The Urban Renewal Act 1995, Urban renewal—Part 2B, and associated regulations; and
- The presence of other statutory assessment or policy frameworks which provide other procedures or processes to address any issues of concern.

A2.4 Conclusions

The objective of this section of the case study is to provide commentary on Renewal SA's operation and performance relative to the conclusions on best practice identified earlier in the report. The commentary focuses on:

- People and social outcomes;
- Environmental outcomes;
- Place related outcomes; and
- Economic and financial outcomes.

People and social outcomes

- Renewal SA is a regeneration agency with both physical development targets and people related objectives. This type of structure is in line with overseas best practice. Their works initiative is an example of the relevant programmes they have implemented.

Environmental outcomes

- Renewal SA has developed a framework for ensuring the sustainability of their developments.
- The process would be more transparent if the results monitoring the developments outcomes were published alongside the standards established.

Place related outcomes

Design and development process

- The concept design and implementation process adopted followed best practice.
- Issues associated with the provision of infrastructure are typically established with solutions initiated in the initial stages of the development plan.
- Renewal SA is providing innovative examples of urban renewal in conjunction with private sector partners. Their apartment demonstration project is an example of this.
- Renewal SA partners with a range of developers to complete their developments. Typically, Renewal SA provides the master planned frame work and sells development ready land to private sector developers to undertake the physical development.

Supply

- It is difficult to gauge the impact Renewal SA is having on the overall supply of dwellings as the detail associated with place related outcomes is not published on an annual basis. However, Renewal SA notes in its annual report that their projects have added up to 5% of the total growth in stock since 2012. This is a small but significant output.

Affordability housing outcomes

- Renewal SA's developments are consistent with the state's affordable housing strategy and include at least 15% affordable units within their developments. In addition, their redevelopment of the state's social housing stock is also adding to and retaining affordable and social housing units.
- In summary, the place related outcomes were broadly in line with best practice. Renewal SA's mandate does include an affordable housing component, and best practice would suggest more detailed reporting on their annual physical outputs in conjunction with their development partners would be advantageous.

Economic and financial outcomes

Financial outcomes

- Overall financial results are clearly reported on an annual basis.
- The financial performance of individual developments is not provided although their performance is scrutinised by the state government's finance committee. Some of this information although commercially sensitive, would increase transparency and could be published in a summarised format across a number of projects.

Overall economic costs and benefits

- No assessments have been completed of the wider benefits generated within the development relative to the costs as a matter of course.
- This is one area Renewal SA could improve with increased publicly available information on their economic and financial performance and the wider benefits they generate for the community. An example of one of the studies undertaken and that has been published includes the economic impact study that demonstrates the introduction of Renewal SA's Small Places initiative aimed at revitalising Adelaide's streets and laneways and the resulting outcomes for the local economy. Since the introduction of the new licence, 51 new small bars have opened in Adelaide's CBD, generating an estimated 728 jobs and $49.3 million in economic activity. With at least half of the 46 venue owners who took part in the study intending to invest more in their businesses by employing additional staff and undertaking building upgrades (worth more than $40,000 in the coming year), economic confidence in the sector continues to grow. Renewal SA is contributing to this growth by supporting entrepreneurs through case management and City Makers grants. The result is a wave of new innovative venues, and cities where people want to live, work, invest and spend time.

Conclusions

- Renewal SA has incorporated many of the attributes of best practice for urban regeneration agencies. Their people related strategies and development processes are consistent with best practice and the key learnings identified with a couple of exceptions:
- The financial results of individual projects lack transparency;
- There has been limited assessment of the wider economic costs and benefits resulting from the developments that have been completed;
- Like all publicly owned urban regeneration agencies their goals and objectives have changed in line with the political objectives of their owners; and
- The people and community initiatives incorporated into their projects along with their affordable housing strategies are likely to continue to provide good social outcomes.

Appendix Three

Case Study Three – Places Victoria

Case Study Three – Places Victoria

A3.1: Introduction

Places Victoria is the Victorian State Government's property development agency. Places Victoria and its predecessors have been involved in urban revitalisation and land development in metropolitan Melbourne and regional Victoria for more than two decades. Places Victoria was established in 2011 as the state's property development agency with a mandate to deliver urban renewal. It replaced existing agency VicUrban, which itself had evolved from the 2003 merger of two government land organisations - the Urban and Regional Land Corporation (which played a key role in the development of Melbourne's growth corridors) and the Docklands Authority (which was set up in the early 1990s to oversee the development of Melbourne's Docklands).

This case study introduces the case study, provides an overview of Places Victoria, summarises their performance to date and compares Places Victoria's outcomes with the key learnings from overseas.

A3.2: Overview

Between 2003 and 2011, VicUrban was the Victorian Government's land development agency with the broad function and responsibilities established by the Victorian Urban Development Authority Act 2003 (VicUrban Act). VicUrban's major projects included Melbourne Docklands, Revitalising Central Dandenong and the Aurora project – a large greenfields development in Melbourne's north east. Through the VicUrban Act, VicUrban had responsibility to carry out urban development, develop the Docklands area, undertake declared projects and assist in the implementation of government urban development policies and strategies, including Melbourne 2030.

VicUrban was given a mandate to:

- Assemble, consolidate and prepare land in existing urban areas for higher density housing development;
- Encourage a diverse range of housing types, including smaller dwellings;
- Supply competitively priced lots to the housing construction industry;
- Work in partnership with housing providers to develop more inclusive residential estates; and
- Encourage the delivery of affordable, accessible and sustainable high density housing.

VicUrban underwent a significant restructure and rebranding process in 2011. The primary motive for the restructure came about because of the level of losses incurred by the business. This restructure was achieved through the enactment of the Victorian Urban Development Authority Amendment (Urban Renewal Authority Victoria) Act 2011. In conjunction with this legislative change, the rebranding of the organisation from 'VicUrban' to 'Places Victoria' was undertaken to create a fresh identity for the newly restructured business, as the governing legislation was essentially the same. In recent years, Places

Victoria has since returned to profit with its change in focus and revised management approach.

The amended Act changed Places Victoria's purpose. Previously, VicUrban's purpose was to undertake urban development. This changed to *'carry out or manage or coordinate the carrying out of urban renewal projects'*. Urban renewal is defined as being '*the redevelopment of large-scale urban neighbourhoods to improve their amenity for residential and mixed-use purposes.*' Places Victoria's new focus to *'carry out or manage or coordinate'* urban renewal reflects the new mandate *'to make land development ready'*, and then to engage private sector investment rather than develop the sites itself.

Other changes included the refocus from urban development to an urban renewal and affordable housing focus. The actual role that the Places Victoria will play with respect to each project will depend on considerations relating to that urban area and government policy, with its primary activity generally focused on precinct structure planning with a view to enabling early release of development-ready land parcels. Other functions also included to undertake a variety of secondary activities, as required, including land acquisition, subdivision and consolidation.

The new legislation removed the function *'to develop land in Victoria and to provide a competitive market for land.'* This change reflected the government's intention for Places Victoria to have a lesser involvement in greenfields development compared with VicUrban. The Act also clarified that Places Victoria will only carry out development of land *'if requested to do so by the Minister'*.

Governance

Places Victoria was established in October 2011 by the Urban Renewal Authority Victoria Act (the Act) and is governed by a board of five government appointed directors. The board is responsible for policy development, strategic direction and monitoring the performance of Places Victoria.

Places Victoria also has an investment committee that reviews all new project opportunities. The committee's objective is to ensure commercial rigour is applied to all projects. The investment committee includes representation from private industry and the public sector.

In addition, Places Victoria has an audit and risk committee whose goal is to assist the board in fulfilling its oversight and due diligence responsibilities through oversight of matters relating to financial reporting, risk management and compliance with laws and regulations.

Goals and Objectives

Places Victoria's goals and objectives set out under its establishing legislation are to:

- Carry out, manage or co-ordinate the carrying out of urban renewal projects;
- Contribute to the implementation of government urban planning and development policies;
- Undertake declared projects; and

- Complete the development of the Docklands area.

The Act also requires Places Victoria to carry out its functions on a commercial basis and it reports directly to the Minister for Major Projects.

Affordable and social housing strategy

Places Victoria has no standing, ongoing requirement to provide affordable housing in projects However, it considers the merits and opportunities to deliver a component of affordable housing as part of each project. The specific requirements / deliverables will vary between projects and will typically rely on the financial support of the state government to offset any costs associated with including affordable housing within a project. Places Victoria has, on occasion, entered into joint venture arrangements with other parts of government such as the Department of Health and Human Services (DHHS) to deliver new affordable housing stock into existing estates.

There is no state government definition of affordable housing. Places Victoria has previously delivered projects that include an affordable housing component, however, in the absence (at the time) of an agreed state-wide definition of what constitutes 'affordable housing', the affordable housing component was defined by Places Victoria.

There is no requirement to include social housing within a development. The (DHHS) is the relevant State Government agency responsible for the delivery of social housing in Victoria. Places Victoria does not have a requirement to deliver social housing, but from time to time, Places Victoria will partner with DHHS on site specific projects.

A3.3: Outcomes

The objective of this section of the case study is to review Places Victoria's outcomes which include:

- Property market outputs;
- Environmental outcomes;
- Social/community outcomes;
- Cultural outcomes; and
- Financial and economic outcomes.

Property market outputs

Places Victoria is a multiple project UDA delivering both residential and non-residential projects. A summary of the current projects is presented in Table A3.1:

Table A3.1: Places Victoria's projects.

Project / Location	Land Owner	Comment
Aspect / Officer	Places Victoria	A 242 hectare development at an estimated cost of $700m. Potential population of 120,000 people. Places Victoria is responsible for master planning the development. Results to date include 127 ha sold to Satterley Property Group in October 2014 and 400 residents housed.
Aurora / Epping North	Places Victoria	A 645 hectare development with a potential population of 25,000 people. Development commenced in 2000 with an expected 20-year time frame. 410 hectares was sold to Lend Lease in October 2014. Lend Lease will develop 3,100 dwellings in accordance with the master plan. Places Victoria is to continue to manage the master planning. Places Victoria will remain responsible for management of design controls, completion of roading network, redevelopment of residual land, development of the Aurora Town Centre and the Employment Precinct and provision of Fibre to existing customers.
Avondale Heights/ Avondale Heights	Places Victoria	A 4.3 hectare development currently being developed in a joint venture with Fraser Property Ltd. The completed development will provide 135 dwellings. Design was developed by Places Victoria after consultation with the surrounding community. Planning approval was obtained in 2015.
Boardwalk Point / Point Cook	Places Victoria	Places Victoria owns two hectares of land on the edge of the Point Cook Town Centre overlooking the Boardwalk Boulevard Wetlands. Places Victoria has been involved in developing Point Cook (the town centre and the Boardwalk Estate) since 1998 and has delivered approximately 2000 homes in the area. The proposed development is finishing the original vision for the precinct in line with the council-endorsed Boardwalk Development Plan, which was approved in 2001 and allows the site to be used for residential and commercial uses. The planned development will provide approximately 100, two and three storey, three-bedroom townhouses.
The Nicholson/ East Coburg	Places Victoria	Places Victoria redevelopment of the former East Coburg tram depot just seven kilometres from Melbourne's CBD provided the opportunity for Places Victoria to respond to the shortage of affordable housing in inner Melbourne. The redevelopment cost $56 million and was completed in 16 months and provided 199 apartments. The Nicholson was launched in November 2011 and is an award-winning and innovative apartment development providing affordable and sustainable high-density housing in Melbourne's inner suburbs. The building's 199 apartments include privately owned apartments and affordable rental apartments as well as commercial spaces. To date, The Nicholson is the largest building in Victoria to use modular construction, with apartments built offsite and craned into position. This method reduced construction time by approximately 50 per cent.
Cairnlea / Cairnlea	Department of Defence	Places Victoria in conjunction with the Department of Defence is redeveloping the former Albion Explosives Factory in Cairnlea. The site has a total land area of 460 hectares and the potential for a population of 10,000 in a mixed-use development including a business park. Redevelopment of the site is problematic due to contamination from the explosives factory.
Dandenong LOGIS / Dandenong South	Melbourne Water	Places Victoria in conjunction with Melbourne Water redeveloped the former Dandenong Treatment Plant in Melbourne's south east. The site had a gross area of 154 hectares and the development had a 12-year time frame. The project is now sold out. The project attracted $500 million in private investment and created 5000 job opportunities. Places Victoria master planned the development. Dandenong LOGIS is Victoria's first integrated eco-industrial business park. LOGIS achieved record values for the industrial land sold in Melbourne's south-east.

Source: Places Victoria 2015 Annual Report and Web Site

Table A3.1: Places Victoria's projects continued

Project / Location	Land Owner	Comment
Docklands / Docklands	Places Victoria	Places Victoria is managing the development of Melbourne's Docklands - one of Australia's largest urban renewal projects under construction. Docklands' construction started in 1997. It is now two-thirds complete and has attracted more than $12 billion in private investment to date. Docklands is an extension to Melbourne's central business district and attracts millions of visitors each year and offers a mix of uses including: residential, commercial, retail, hospitality and leisure.
Heathmont Place / Heathmont	Places Victoria	Places Victoria purchased the 3.6 hectare site of the former Heathmont College in Melbourne's eastern suburbs. Places Victoria was responsible for the commissioning of the design of the site's redevelopment into 66 townhouses set amongst parkland. Places Victoria purchased the site to create a new neighbourhood offering a diversity of housing among established suburbs close to schools, public transport, shops and services. The development is currently home to 50 residents.
Jacksons Hill / Sunbury	Places Victoria	Jacksons Hill is a 193 hectare development on the site of the former Caloola Psychiatric Centre in Sunbury. The project was developed between 1997 and 2015 and houses approximately 3600 people. The development includes large areas of parkland, and improved access to Melbourne via the electrified Sunbury railway line. Community infrastructure in the development includes walking tracks, picnic areas, 42 hectares of public open space, large established parks, numerous wetlands, the 'Galaxy Land' adventure playground and land for a proposed retail precinct to complement existing services in Sunbury. Places Victoria also facilitated the relocation of Victoria University, Sunbury Primary School and Sunbury Special School to the historic former asylum buildings.
Kilgour Place / Geelong	Places Victoria	Kilgour Place is an inner-city infill development within central Geelong on a 1.4 hectare site developed between 2010 and 2015. It is a master planned community development. Stage one included apartments to provide affordable rentals for the over 55s market, delivered under the Federal Government Nation Building Housing programme. Stage two consists of 30 quality townhouses all of which have been privately sold. Stage three, the final stage, includes 27 apartments within a converted heritage building and five townhouses. The later stages of the project were sold to the private sector as development ready sites with planning approvals in place.
Lakes Edge / Hamilton	Southern Grampians Shire Council	Places Victoria is developing a 225 to 250 unit development in a joint venture with Southern Grampians Shire Council. Stage 1 of 30 units is currently under development with 17 units sold. Places Victoria is responsible for master planning the development. Lakes Edge is situated just two kilometres from the heart of Hamilton on Rippon Road.
Lilydale Quarry / Lilydale	Sibelco Australia Ltd	Places Victoria in conjunction with Sibelco Australia is redeveloping the former Lilydale Quarry in Lilydale. The site covers 170 hectares and has the potential for 2500 dwellings. The development time frame for the project is 15 to 20 years. Places Victoria provided consultancy services to prepare a master plan for the quarry site with extensive input from the surrounding community. The master plan, which was lodged with Yarra Ranges Shire Council in July 2015, shows a new suburb with approximately 2500 new homes, varying in type to cater for the needs of different households, walking and cycling trails, large public open space on the filled quarry pit, a new village shopping strip, and land for a future primary school. The first stage of residential development on approximately 19 hectares of land was approved in late 2014. Having lodged the Planning Scheme Amendment request for the balance of the site with the support of Places Victoria and the Victorian Government, Sibelco is now progressing the future of the site independently.

Source: Places Victoria 2015 Annual Report and Web Site

Table A3.1: Places Victoria's projects continued

Project / Location	Land Owner	Comment
Metro Village 3175 /Dandenong	City of Greater Dandenong	Redevelopment of a 19.2 hectare former Dandenong sale yards which closed in 1998. The development has the potential for 1200 dwellings and has an estimated cost of $40 million. Places Victoria and the City of Greater Dandenong agreed to work together under a revenue share arrangement to develop a low to medium density residential estate providing diverse housing options. Metro 3175 has direct access to transport networks and the Dandenong CBD. Upon completion in approximately 2016, the master planned community will be home to up to 3000 people in approximately 1200 dwellings.
Parkside / Shepparton	Dept of Health and Human Services	Places Victoria is master planning the redevelopment of a surplus Department of Health and Human Services site in Shepparton. The first two stages of the development will provide sites for 97 dwellings. The development is targeted at developing units at affordable prices. The goal is for Parkside to offer affordable living offering all the benefits of an established neighbourhood. Parkside estate features a generous neighbourhood park complete with a playground, covered picnic area, hard court play area, rebound wall, basketball and netball rings and art installations.
Revitalising Central Dandenong / Dandenong	Places Victoria	The Revitalising Central Dandenong initiative is aimed at rejuvenating Dandenong's city centre and re-establishing Dandenong as the capital of Melbourne's growing south east region. The $290 million revitalisation project was announced by the Victorian Government in 2006. Several key projects are now complete or underway and the initiative is regenerating Dandenong. The Revitalising Central Dandenong initiative is being delivered by Places Victoria in partnership with the City of Greater Dandenong, government agencies and the private sector.
Riverwalk / Werribee	Melbourne Water	This 197 hectare development is a joint venture between Places Victoria and Melbourne Water to redevelop the former Werribee water treatment plant site. The redevelopment costs are estimated at $300m with the potential to provide 2260 dwellings. To date 150 people have been housed. Riverwalk includes 24 hectares of open space, wetlands and parklands, links to the Werribee River and Federation Bike Trail, a 1.4 hectare Village Park which incorporates a basketball court, water play areas, bike trails and playground and barbeque facilities and provision for two schools and a neighbourhood centre.
The Gardens at Shepparton / Shepparton	Greater Shepparton City Council	Places Victoria has master planned this 145 hectare lot development located 3 kms from Central Sheparton. The development is pitched to provide affordable luxury units in mixed medium density and standalone dwellings. The master plan provides common open space and parks.
Tower Hill / Swan Hill	Swan Hill Rural City Council	Places Victoria in conjunction with Swan Hill Rural Council is redeveloping a 150 hectare site with the potential for 1100 homes. The estimated cost of the development is $24 million. Places Victoria is master panning the development. The development will provide wetlands, walking and cycling paths, regional playground, barbecue and picnic pavilion at Barry Steggall Park.
Valley Lake / Keilor East	Places Victoria	Places Victoria purchased the former Niddrie Quarry in Melbourne's north western suburbs in 2000. Places Victoria has rejuvenated the site through the development of a master plan. The site area is 48 hectares and has the potential for 572 dwellings. The expected development time frame was from 2006 to 2017 and is now nearing completion.
Junction Place / Wodonga	Places Victoria	Junction Place is regional Australia's largest urban renewal project covering an area of 10 hectares in the centre of the City of Wodonga. Places Victoria is developing Junction Place in partnership with a number of key stakeholders including the City of Wodonga, Regional Development Victoria and the private sector.

Source: Places Victoria 2015 annual report and website

The key themes from these projects demonstrate:

- Places Victoria proactively engages with the private sector to sell development ready land with master planned frameworks in place for the private sector to complete the development;
- It has increasingly become involved in innovative demonstration style urban renewal projects;
- Its developments typically incorporate significant areas of open space public amenity;
- It does not have a fixed housing affordability strategy and typically relies on state or federal subsidies to offset the cost of including affordable housing within a development;
- A significant proportion of its developments involve the delivery of a mix of uses; and
- Historically Places Victoria has facilitated the redevelopment of state or federal land owned by other government entities in a joint venture/profit sharing arrangement.

Places Victoria now becomes involved in new projects on:

- The direction of the state government which takes the form of a direction from the Minister for Major Projects and will usually outline the nature and scope of the role Places Victoria is to fulfil;
- A case by case basis as opportunities arise to redevelop ‘surplus government land’;
- Smaller site-specific projects and acquisitions consistent with the direction and strategies set out in the Corporate Plan – the key focus for site acquisitions within Places Victoria is on urban infill sites within metropolitan Melbourne and to a lesser extent in regional towns and cities; and
- Smaller site-specific projects where it can demonstrably add value and achieve a responsible commercial return.

In undertaking urban renewal, there are no ‘typical’ parameters for Places Victoria projects as each one varies significantly in terms of the highlighted parameters. In summary, as a general rule, the approach is as follows:

- The parameters for a project are agreed up front and must be consistent with state government policy objectives and also Places Victoria’s own internal project requirements;
- Legacy ‘precinct’ projects vary from 2 to 200 hectares and are long term (5-25 years). These are generally projects deemed to be of ‘state’ significance, and include projects like Melbourne Docklands, Revitalising Central Dandenong, Frankston Civic Precinct, Arden Central and Junction Place in Wodonga;

- Urban in-fill projects focus on developing smaller sites in strategic locations within metropolitan Melbourne and to a lesser extent regional towns and cities. They have a smaller geographic footprint and timescale than precinct projects; and
- Places Victoria continues to develop and deliver legacy greenfield projects in Melbourne's growth areas, although the acquisition and development of greenfield sites is no longer a focus for Places Victoria.

The site acquisition process has a formal approval process which involves Place Victoria submitting detailed project plans and financial analysis for approval to:

- the Places Victoria investment committee;
- the Places Victoria board;
- the Victorian Government Land Monitor;
- the State Minister for Major Projects; and
- the State Treasurer through the Department of Treasury and Finance.

Approval is required for all site acquisitions regardless of size or cost.

Places Victoria can exercise the powers of compulsory acquisition when a project has been declared under the enabling legislation. Planning control varies with each project. On smaller projects, planning approvals are generally handled by the local council, with Places Victoria having no special powers or role in the planning process. On larger projects (such as Docklands and Revitalising Central Dandenong) the State Minister for Planning may choose to exercise 'call in' powers for all or some applications in a project area. Where this situation occurs, the local council would then become a referral authority but not the approval authority. In this situation. Places Victoria is also often designated as a referral authority, which requires the approval authority (state or local) to take into account Places Victoria's recommendations on planning matters.

Places Victoria works with key infrastructure providers as required by the specific demands of a project and does not have specific powers or relationships with infrastructure providers.

Environmental outcomes

Places Victoria approaches its development in an environmentally sensitive manner. For its large developments, it has developed eight ecologically sustainable development (EDS) principles with actions to achieve them:

1: Conserve and protect natural resources principles and actions include:

- protect non-renewable resources
- encourage efficient buildings for energy conservation
- explore alternative energy systems
- promote use of renewable energy
- minimise resource consumption and maximise reuse of resources
- minimise waste and pollution
- enhance water quality and minimise use of potable water

2: Create long-term value principles and actions include:

- take a 20-year view of Docklands, and maximise the long-term value of the development
- develop Docklands as a leader in innovation
- recognise Docklands as an asset of outstanding public quality that embraces ESD excellence
- develop Docklands to cater for future generations of users

3: Maximise precinct opportunities principles and actions include:

- maximise the assets of each precinct
- use water to cool buildings, where possible
- maximise ESD marketing opportunities in a whole-of-Docklands approach

4: Balance economic, social and environmental outcomes principles and actions include:

- set Performance Indicators and minimum standards
- measure small-scale and large-scale benefits
- balance short-term gains against long-term savings
- encourage applications that maximise return on effort

5: Set standards, requirements and benchmarks, and continually review principles and actions include:

- set minimum standards for assessment
- assess and rate all relevant initiatives
- assess through common reporting criteria
- monitor and assess standards, and continually improve to meet market and community expectations

6: Develop a collaborative approach, and capture and communicate knowledge principles and actions include:

- communicate Docklands as a place of ESD excellence
- establish partnerships and encourage collaboration between stakeholders
- plan for and encourage a community that practices sustainability
- develop local and international relationships
- plan and encourage complementary resource uses within and across precincts
- develop and encourage knowledge through education that include schools, higher learning and tourism
- communicate and share knowledge about ESD

7: Promote alternative transport opportunities principles and actions include:

- reduce the need for car use, through provision and encouragement of quality transport options, including walking and cycling, public transport and water-based transport
- maximise integration, links and continuity with existing transport infrastructure and the CBD

8: Create a healthy urban environment principles and actions include:

- develop healthy buildings and urban spaces for visitors, workers and residents
- develop a healthy urban habitat for flora and native fauna
- explore opportunities for environmental education within the urban habitat

The guide sets out a series of measurable bench marks for the provision of outdoor space, atmosphere indicators, the use and treatment of water and waste water, transport to and within the precinct, energy consumption, building materials, indoor environmental quality, waste and recycling indicators, and innovation in design solutions. Consequently, this approach provides the framework for establishing appropriate design guidelines and measuring a range of environmental outcomes from the development.

Social and community outcomes

As the state government's property development agency, Places Victoria is committed to engagement in practices that are aligned with VAGO's Better Practice Guide for Public Participation in Government Decision-making. Places Victoria acknowledges the benefits that flow from a proactive community engagement approach, which allows people likely to be affected by its projects an opportunity to have their say. These benefits include harnessing local knowledge, identifying opportunities for project improvement, strengthening a sense of local community and building awareness and acceptance of the projects. Places Victoria's communications team is responsible for providing strategic advice regarding community engagement and for developing strategies for and managing community engagement processes.

In practice, there is no 'one size fits all' approach to how Places Victoria engages with communities on individual projects. Places Victoria's communication team reviews the project requirements, any existing community issues or sensitivities and develops an engagement strategy to suit. Engagement can take many forms, and may include social media, online content, meetings, workshops and informal 'drop in' sessions. For larger projects Places Victoria may also engage an external consultant to assist in establishing and running a community engagement process.

Places Victoria's mandate is to act as the state government's property development agency with a focus on developing land and delivering urban renewal in a way that meets policy objectives. Consequently, Places Victoria has no specific focus on social development within its projects. However, where relevant, it does seek to support initiatives and/or partnerships that are focused on enhancing or providing opportunities for the communities within its developments. This mostly takes the form of providing funding or sponsorship.

On some projects, Places Victoria will deliver community infrastructure (such as libraries, parks and recreation facilities), but the actual programming of this infrastructure is usually left to the local council.

Economic and Financial Outcomes

Places Victoria is not currently formally required to monitor or report on the wider benefits or impacts of its projects. However, for some of its largest projects it does maintain informal estimates of the wider project benefits. These results are not publicly available.

Places Victoria recently collaborated in a project with a leading accounting firm which sought to develop tangible performance measures for monitoring and reporting on the empirical benefits of large-scale urban renewal projects. The application of this framework to Places Victoria's future projects is currently under consideration.

Places Victoria has had a varied financial history. Table A3.2 presents its financial performance between 2011 and 2015.

Table A3.2: Places Victoria financial performance ($ million AUDs)

	2011	2012	2013	2014	2016
Revenue	280.1	205.0	126.0	299.1	228.9
Cost of sales	(134.4)	(117.3)	(132.0)	(190.5)	(187.8)
Operating expenses	(105.3)	(112.5)	(168.7)	(58.4)	(13.9)
Borrowing costs	(2.0)	(2.0)	(8.9)	(6.7)	(2.0)
Income tax equivalent	(3.5)	8.0	(8.3)	-	-
Total expenditure	(245.2)	(223.8)	(317.9)	(255.6)	(203.7)
Comprehensive results	***34.9***	***(18.9)***	***(191.9)***	***43.5***	***25.2***
Financial status					
Total assets	725.2	655.3	573.5	571.9	537.9
Total liabilities	(386.1)	(345.5)	(475.5)	(450.2)	(443.0)
Total equity	***339.1***	***309.8***	***98.0***	***121.7***	***94.9***
Net cash from operations	**(17.4)**	**5.9**	**(108.7)**	**105.8**	**73.9**

Source: Places Victoria's Annual Report

The results presented in Places Victoria annual report reflect the challenges the organisation has faced. These challenges include changing market conditions impacting on the value of greenfield land, a change in its development focus from greenfield development to urban renewal and the resulting restructuring that occurred within the organisation. These factors impacted on the level of profit generated and the organisation's asset base.

At a project level, Places Victoria has its own financial and commercial performance objectives and targets. As a general rule, the following applies to its development projects:

- All projects must meet a specific commercial rate of return. This rate of return may include payments from state or federal government to achieve specific policy goals associated with the redevelopment of the site. The commercial rate of return varies with the type and nature of the project.
- As a statutory authority, Places Victoria is required to obtain the approval of both the Office of the Valuer General and the Government Land Monitor where it is participating in the purchase or sale of land (over a certain value limit) or where it enters into a development agreement with a third party. This approval is required to ensure transactions are consistent with the market and represent fair value.

- Places Victoria is ultimately responsible for its commercial performance to the State Treasurer through the Department of Treasury and Finance (DTF).
- Places Victoria is a developer mandated to act commercially and is not allowed to sell land at below market value. It could develop a piece of land for a use other than for 'highest and best use' but would only do so under the direction of government. Should this occur, Places Victoria would seek to be compensated for any reduction in profit for the land in question. This would also be subject to the approval of the Office of the Valuer General and the Government Land Monitor.

A3.4: Conclusions

The objective of this section of the case study is to provide commentary on Places Victoria's operation and performance relative to the lessons learned identified earlier in the report. The commentary focuses on:

- People and social outcomes;
- Environmental outcomes;
- Place related outcomes; and
- Economic and financial outcomes.

People and social outcomes

- Places Victoria is Victoria's property development agency, and its focus is property development. Consequently, it includes social and people initiatives when it is directed to by the state government. Best practice overseas would suggest that particularly in urban renewal projects, better outcomes are achieved when people/social goals/initiatives are included in the project.

Environmental outcomes

- Places Victoria and its predecessor have developed a comprehensive framework for ensuring the ecological sustainability of their developments.
- The process would be more transparent if the results monitoring the developments' outcomes were published alongside the standards established.

Place related outcomes

Design and development process

- The concept design and implementation process adopted follows best practice.
- Issues associated with the provision of infrastructure are typically established with solutions initiated in the initial stages of the development plan.
- Places Victoria is providing innovative examples of urban renewal in conjunction with private sector partners.
- Places Victoria partners with a range of developers to complete its developments. Typically Places Victoria provides the master planned framework and sells development ready land to private sector developers to undertake the physical development.

Supply

- It is difficult to gauge the impact Places Victoria is having on the overall supply of dwellings as the details associated with place related outcomes are not published on an annual basis.

Affordability housing outcomes

- Places Victoria has no formal housing affordability goals and objectives. However, it has done so when directed by state government.

In summary, the place related outcomes were broadly in line with best practice. However, Places Victoria's mandate does not include an affordable housing component and best practice would suggest more detailed reporting on its annual physical outputs in conjunction with its development partners would be advantageous.

Economic and financial outcomes

Financial outcomes

- Overall financial results are clearly reported on an annual basis.
- The financial performance of individual developments is not provided. This information although commercially sensitive, would increase transparency and could be published in a summarised format across a number of projects.

Overall economic costs and benefits

- No assessments have been completed of the wider benefits generated within the developments relative to the costs.
- This is one area Places Victoria could improve with increased publicly available information on its economic and financial performance and the wider benefits it generates for the community.

Conclusions

- Places Victoria's development strategies and processes are consistent with best practice and the key learnings identified with a couple of exceptions:
- The financial results of individual projects lack transparency.
- No assessment of the wider economic costs and benefits resulting from the developments has been completed. As the developments near completion an economic cost and benefit study considering the wider outcomes from the projects would provide worthwhile information on the impact of this market intervention. If these studies were undertaken, it would be important to consider the counterfactual as well.
- Incorporation of people/social initiatives in urban renewal projects may result in better outcomes.
- Incorporation of affordable and/or social housing in developments in conjunction with community housing providers would result in an increase in the supply of affordable housing.