

GUARDIANS OF NEW ZEALAND SUPERANNUATION SUBMISSION ON THE URBAN DEVELOPMENT BILL

Background

1. Thank you for the opportunity to submit on the Urban Development Bill (the **Bill**). We do not wish to appear to speak to our submission.
2. The Guardians makes this submission in its capacity as manager and administrator of the New Zealand Superannuation Fund (the **Fund**). This submission focuses on the overall potential impact on investment in urban development and not on specific aspects of the Bill.
3. The Fund was established in 2001 to invest money, on behalf of the Government, to help pay for the increased cost of universal superannuation entitlements in the future as the population ages. The Fund is managed by a Crown entity, the Guardians of New Zealand Superannuation (the **Guardians**). The current value of the fund is more than \$47.6 billion.
4. Consistent with this purpose, our mission is to “*maximise the Fund’s return over the long-term, without undue risk, so as to reduce future New Zealanders’ tax burden*”. In advancing this mission, the Fund operates within a mandate whereby it is required, by statute, to “*invest the Fund on a prudent, commercial basis and, in doing so, must manage and administer the Fund in a manner consistent with:*
 - *best practice portfolio management;*
 - *maximising return without undue risk to the Fund as a whole; and*
 - *avoiding prejudice to New Zealand’s reputation as a responsible member of the world community.”*
5. In 2009, the Guardians received a Direction from the Minister of Finance. This Direction, which is still in place, requests the Guardians appropriately identify and consider opportunities to increase the allocation of New Zealand assets in the Fund, subject to the Guardians’ duty to invest the Fund on a prudent, commercial basis.
6. Large-scale infrastructure projects and real estate developments have been identified by the Guardians as investments through which the Ministerial Direction can be advanced in a manner consistent with the Fund’s investment mandate and objectives. Specifically, infrastructure and real estate investment offers the Fund:
 - good risk adjusted returns;
 - diversification benefits (not perfectly correlated with equity markets); and
 - assets that are among the longest duration available and, therefore, align with the Fund’s long-term investment horizon.

7. The Guardians has global and domestic infrastructure investment experience and our current domestic real estate investments include a residential property development at Hobsonville Point, in partnership with Ngāi Tahu Property Limited and New Ground Capital; a private equity real estate mandate with Willis Bond; and a hotel investment partnership with Russell Group and Lockwood Property Group. The Fund has also previously invested in commercial property in New Zealand and we continue to actively explore a range of potential New Zealand real estate and infrastructure investment opportunities. It is based on this investment experience that we have developed our submission on the Bill.

Submission

8. The Guardians generally supports the intent of the Urban Development Bill to centralise and streamline powers and processes for large-scale developments and therefore facilitate greater investment. In particular, the Guardians supports the following key aspects of the Bill:
- (a) powers to effect the consolidation of necessary land for urban development;
 - (b) inclusion of funding tools to provide for required infrastructure in development plans; and
 - (c) providing increased certainty around consenting timeframes for development within a specified development project area.

Land consolidation

9. Certainty over the acquisition and timing of land is critical to the successful execution of urban development projects. The Guardians supports the provisions in the bill providing Kāinga Ora with modified Public Works Act 1981 (PWA) powers to acquire and amalgamate multiple titles necessary for urban development projects. The Guardians also supports the need for a balanced approach between meeting urban development outcomes and maintaining certainty of property rights by broadly retaining the existing rights under the PWA. Given the need for co-ordinated and planned urban regeneration across New Zealand, we support the identification of urban renewal as a specified work under clause 249 of the Bill and consequently a public work for the purposes of the relevant sections of the PWA.

Funding tools

10. Appropriate and timely provision of infrastructure is critical to any new urban development and, currently, large-scale development is being adversely affected by a lack of certainty around infrastructure timing and funding. The Bill provides for funding of infrastructure via a variety of mechanisms including targeted rates, development contributions and infrastructure and service charges. The Fund supports the provisions in the Bill that provide for identification of required infrastructure, and identification and levying of relevant funding mechanisms, in the development plans for a specified development project. The identification of required

infrastructure, and proposed sources of funding in the upfront development plan, will aid integration of the infrastructure to service a specified development area and provide greater assurances to developers and investors that the necessary infrastructure is able to, and will, be built.

Consenting timeframes

11. The provisions of the Bill relating to development plans and resource consents for development within the relevant project area mean consenting timeframes are likely to be reduced. For example, the time limit for providing notice of a decision on a non-notified application that is lodged under a development plan is between 10 to 20 working days under clause 126 of the Bill. Faster and more certain resource consent timeframes is of particular importance for large-scale multi-stage developments, allowing greater coherency and certainty around planning within the specified development project area.

Conclusion

12. We are of the view that the Bill will make a positive contribution to facilitating large-scale development and, therefore, addressing the transport and housing market challenges New Zealand faces. The Bill has the potential to provide greater certainty in terms of consenting, land acquisition and the provision and funding of enabling infrastructure. Similarly, processes under the Bill have the potential to deliver faster consenting timeframes. In our experience these variables are among the key constraints to advancing investment in urban development at scale and the changes contained in the Bill are, therefore, welcome.