

14 November 2024

Max Hardy
Director Group Strategy and Chief Executive Office
Auckland Council

max.hardy@aucklandcouncil.govt.nz

Kia ora Max

We are pleased to submit our response regarding Eke Panuku's position on the shortlisted options currently under consideration as part of the council-led 2024 CCO reform process.

Nāku iti noa, nā



David Kennedy
Chair
EKE PANUKU DEVELOPMENT AUCKLAND



David Rankin
Chief Executive
EKE PANUKU DEVELOPMENT AUCKLAND

Eke Panuku Development Auckland Submission to the CCO Reform

14 November 2024

Executive summary

1. This submission summarises the Eke Panuku position on the short-listed options being considered as part of the council-led 2024 CCO reform process.
2. Eke Panuku was established with two core functions – leading urban regeneration for the council and managing the non-service property portfolio. In addition, Eke Panuku provides a shared service to other parts of the council group for property related services including disposals (for Auckland Council and Auckland Transport) and acquisitions (for Auckland Council) which is also a core role of urban regeneration. It plays a lead role in supporting council to divest and optimise its assets.
3. Urban regeneration is the process of revitalising and improving urban areas to enhance their economic, social, cultural and environmental conditions. It is more complex and time consuming than typical urban development.
4. Auckland Council has determined through the Auckland Plan, that a quality compact urban form is the most effective way to provide infrastructure and services now and in the future. Its main tools are the Unitary Plan and infrastructure investment. It has a direct intervention role through the urban regeneration programme facilitated by Eke Panuku. This is because there are places where council is encouraging growth and where there are opportunities to optimise council property and leverage the investment in public transport, but it will not happen without intervention.
5. The delivery of urban regeneration by arm's length organisations is common throughout the world working on behalf of national, state or local governments. While the urban regeneration organisations vary in their scope and set up, the key reason is to bring a focused effort to place-based urban regeneration programmes, enabling delivery of complex and long-term projects by a focused team. Placemaking and investment in the public realm to support the commercial development strategy is typically part of the integrated approach of many urban regeneration agencies. Examples include Development Western Australia, Development Victoria and the Copenhagen City and Port Development Corporation.
6. The independent and comprehensive CCO review in 2020 reconfirmed that a CCO to deliver urban regeneration is the right model.
7. The CCO model provides consistency and certainty to the public to ensure that works programmes are managed over a longer period. Boards provide industry insight and independent governance and can focus on longer-term outcomes and future users. It means the urban regeneration function has a governance capability and senior executive team focus consistently overtime. It is not constantly distracted by all the other issues council faces.
8. Locally, urban regeneration programmes have been successfully delivered by former organisations such as Waterfront Auckland and HLC, and currently by Eke Panuku and Kāinga Ora, on behalf of Auckland Council and the NZ Government respectively. Across a number of urban regeneration programmes ranging in size and scope, Eke Panuku has delivered financial and non-financial benefits for council and Auckland.

Urban regeneration delivery options

9. The council staff advice sets out different models for the delivery of urban regeneration and high-level pros and cons. In addition to the status quo, the options variously move the

function to council, in whole or part, consider new CCOs (multiple CCOs, city centre only CCO) and split the core work between council and a CCO.

10. The options propose moving the functions of an experienced CCO to new entities, departments and teams where there is no institutional competence, relevant skills or experience.
11. The key disadvantages of the moving the functions in-house are
 - the loss of singular focus on urban regeneration delivery
 - the loss of momentum and the reputation risk of not delivering on agreed plans
 - the lack of certainty for the private sector and the risk that the private sector is less willing to engage; fewer potential development partners will impact outcomes
 - the rework and costs involved in establishing new systems and processes including accountability mechanisms
 - reduced oversight and visibility within the sheer scale of the council work programme; Eke Panuku budget is around 2% of the council group capital budget and opex over 10 years
 - the loss of commercial expertise, independence and impartiality and focus on the longer term brought by the skills-based board
 - slower decision making and execution
 - the potential for a lack of clarity of roles and responsibilities.
 - Loss of continuity, engagement, goodwill and culture of the highly engaged team.
 - Significantly expanded workload for elected members and council management which requires sustained focus.
12. Eke Panuku does not agree with the analysis that it does not have the tools it needs to lead urban regeneration (noting that none have been highlighted) or that that programmes are small or are, in any way, misaligned with council strategic direction or lack integration. For example, the Manukau programme will enable around 900 new homes and \$162m in gross sales (\$114m to date). Over the programme life, close to 1000 new homes and \$47m gross sales will be enabled in Avondale. In Onehunga around 900 new homes and \$61m in gross sales. And in Takapuna 550 new homes and \$38m gross sales.
13. Increased funding availability for urban regeneration to be undertaken in more locations, including the ability to acquire sites, was discussed in the LTP process. The scale of the programme is determined by Auckland Council.
14. One option suggests resetting Eke Panuku as a 'delivery-only' agency and moving the responsibility for urban regeneration planning, property management, property services (such as acquisitions and disposals) and setting development outcomes into council.
15. Developing and executing a commercial strategy to attract investment in residential and commercial development and divest of underutilised property is at the heart of urban regeneration and of urban regeneration planning. All urban regeneration plans to date have been developed with council group and mana whenua and are endorsed by the Planning Committee and relevant local board. This has enabled Eke Panuku to build an understanding of the place, the community and core relationships overtime, starting from the planning. The urban regeneration planning needs to be developed by the team that is accountable for its delivery, to ensure that the plans are feasible and have realistic delivery expectations. Separating implementation planning from delivery will be deeply problematic.

The split in responsibilities and the overlap area can be hard to define and get right, leading to duplication or delay.

16. A strong property team with specialist skills has been established to deliver all forms of property transactions, including disposals and acquisitions which are critical to urban regeneration and also providing a service to Auckland Council and Auckland Transport.
17. Of the 149 active projects in FY25, 40% are capital projects (urban amenity and infrastructure), 49% are urban development projects (site sales, commercial strategy) and 11% are other (largely acquisitions and masterplanning). These projects are of different scales and are in different stages from inception to delivery. All urban regeneration programmes have been approved by Council and the budget is approved each year.

Property management options

18. Eke Panuku manages the \$2.9 billion portfolio of council assets that are not being used to provide a service to the community and provides a significant revenue stream. The assets include commercial, industrial, long-term leases, marinas, forestry, quarries/landfill and residential leasing of property while it is held for a future service use. There is a mix of independent business and trust entities, joint ventures, commercial contracts, leases, complex development agreements and commercial negotiations. One third of these assets are leased on a commercial basis and are achieving full market related revenues with an average Return-on-Investment (surplus divided by asset value) of around 6.1%.
19. The proposed options for the management of the non-service property portfolio suggest different places where the function could be delivered, in new CCOs as well as in council. The options oversimplify the range of reasons property is held and its diversity of purpose. It is not clear there are significant savings or benefits to be made by moving the management of non-service property or establishing a new CCO or bringing it in-house.
20. The current model benefits from the external governance with property skills, and a commercial, long-term view and delivery focus. Eke Panuku is positioned to leverage commercial opportunities, with stronger commercial focus and operational flexibility and an appropriate risk appetite, enabling returns from non-service property to be optimised and opportunities for commercialisation to be identified.
21. The challenge for council is finding a logical place for the management of properties that are not used by council (non-service) and have commercial tenants. The property management and urban regeneration functions do not logically have to stay together. The arguments are not the same for property services to be delivered through a CCO. There is however clear rationale for its continued delivery by Eke Panuku:
 - Eke Panuku has the necessary multidisciplinary skill set and expertise that is required focused on delivering commercial outcomes that provide value for money. This supports retention of staff with strong technical, commercial and industry knowledge and offers development opportunities across the property industry.
 - A portion of the non-service property portfolio (250 assets) is in the urban regeneration locations. This property is managed to achieve commercial returns where possible and in alignment with the urban regeneration plans. Some property has been acquired by us for urban regeneration for future redevelopment.
 - Together with urban regeneration, the non-service property management benefits from the input of the skills-based board experienced in all aspects of property and development.

Opportunities to enhance the current model

22. Eke Panuku would welcome the opportunity to discuss the issues of the CCO model that have been identified by the mayor and councillors and how they relate to Eke Panuku. We have highlighted some opportunities to enhance the current model, as follows:

- Increased opportunities for all elected members to receive updates through more regular reporting to a 'committee of the whole' such as the Planning and Policy Committee, building on the regular engagement with the CCO Direction and Oversight Committee (quarterly reporting, 'deep dives')
- Council leading the process to select new urban regeneration locations with support from Eke Panuku
- Building increased capacity within council to engage with Eke Panuku on the issues and complexities of urban regeneration, to provide strategic oversight and advice and to monitor performance as suggested in the 2020 CCO review.
- The SOI and associated interactions are used to convey changes in priorities if the council is seeking a stronger focus on economic development or affordable housing or commercial returns, for example.
- Address any 'duplication' through increased partnering across the group and role clarity on project delivery.
- Address 'churn' through greater clarity of roles and responsibilities and enhanced strategic direction from council.
- Strengthen the council group integrated efforts in the city centre through increased support for the 'One team' and 'One plan' approach as agreed by the Group CEs. Clear political direction and support will enable greater success.
- A continued focus on community and local board engagement in the areas that we work and maintaining a positive reputation through the delivery of agreed plans.
- Continue to progress the Group Property Review to develop a group property framework and implementation actions.

Eke Panuku has delivered considerable benefits for Auckland and for Auckland Council

23. Benefits of the current urban regeneration programmes include:

- facilitating 2,304 dwellings to 1 August 2024 of a total of 12,000 new sustainable homes planned across the programmes
- returning significant revenue to council through the sale and optimisation of sites and property. Almost \$1 billion in sales (\$970m) in past 10 years against a target of \$700m. This has catalysed significant private sector investment in residential and commercial development
- supporting economic development by facilitating investment in new residential and commercial spaces, supporting business and employment growth and town centre vitality. Examples include MIT Manukau, Laidlaw College in Henderson; mall redevelopment and new supermarkets (Papatoetoe, Onehunga), food and beverage, hotels (WQ, Manukau), and medical services in Pukekohe
- improving amenity – increasing the safety, connectivity, amenity and resilience of town centres and attracting visitation and private investment
- demonstrating high quality intensification, sustainable building, supplier diversity (8.3% against target of 7.5% 2023/24)

- mana whenua realising cultural and commercial opportunities. Mana whenua iwi are commercial partners in development opportunities in Avondale, Manukau, Papatoetoe. Māori design, art, placemaking, kaitiaki are evident in our projects expressing local history and cultural narratives.

Auckland needs continued momentum in urban regeneration

24. The economic, cultural, and sustainability benefits of urban regeneration are vital for Auckland's future as a competitive, desirable, and equitable city. The Auckland region and council have faced significant challenges and volatility over the past five years. These include the Covid-19 pandemic, the storm events, major budget challenges and the economic recession. Auckland needs continued momentum in urban regeneration to leverage the transport investment and untapped opportunities for housing and development. Eke Panuku has performed well through this time and supported Auckland Council to achieve budget and revenue targets and maintain good progress on urban regeneration. When strong performance exists within the human capital of an organisation there is significant enterprise value in achieving continuity. Retention is important as we need to ensure resilience exists to proactively handle the inevitable next challenge. Not only is momentum lost through significant change, but also the continuity, morale, goodwill and culture of the team.
25. The rationale for the establishment of Eke Panuku remains more important than ever. We need more affordable homes and more intensive use of suburban land and centres, to leverage off the public transport investment, attract private capital and optimise the use of council assets.
26. Eke Panuku has been seen as the appropriate and capable entity to support the resolution of a number of challenging situations for council in recent times and has shown agility and responsiveness in picking up new work requested by council.
27. While the market has been challenging in recent years following the disruption of the covid pandemic and economic recession, developer interest and sentiment is beginning to turn and together with a reduction in construction costs for projects, it's a good time to maintain momentum.

Submission format

28. This submission is set out as follows:

- Urban regeneration context
- Feedback on short-listed urban regeneration options
- Property management context
- Feedback on short-listed property management options
- Property disposals and acquisitions – shared services
- Key issues of the CCO reform and opportunities to address them.

Urban regeneration context

Urban regeneration is a key role for Auckland Council

29. Urban regeneration is the process of revitalising and improving urban areas to enhance their economic, social, cultural and environmental conditions.

30. Eke Panuku urban regeneration programmes incorporate new sustainable homes, greenspaces and support public and active transport. By creating vibrant public spaces, community facilities and recreational areas, we foster social interactions, a sense of community and improved health and wellbeing. Our programmes attract investment by others, creating employment opportunities and boosting local businesses. Working with mana whenua and through our wider community placemaking, we support local arts and culture and integrate cultural elements to strengthen the local sense of place and identity.

31. Urban regeneration is the most difficult type of urban development. It is complex and time consuming. It involves working in an existing urban area where people already live and work. Typically, there is poor amenity, infrastructure deficits and sometimes contamination. The development economics for higher-density development is difficult in suburban areas. Land aggregation is often required to enable quality comprehensive redevelopment. Intervention is required:

- in tired town centres which are in decline with poor amenity, functionality and housing choices and where there is an opportunity to enable growth with access to good transport
- where council owns unused and underutilised property that if redeveloped provides positive impetus for change that instils confidence, generates revenue and achieves strategic outcomes such as new housing and commercial development
- to unlock development opportunities and attract investment through an agreed vision, consolidating development opportunities by aggregating sites and partnering with others, in many places it will not happen by itself.

32. While a significant partner, it is difficult for the private sector to lead comprehensive brownfield redevelopment and to meet the broad objectives. Investment by the private sector will need to trade off against the need for a short-term return.

33. Auckland Council plays a number of roles in supporting urban regeneration, such as:

- setting the spatial and landuse plan and direction for the region through the Auckland Plan and the Unitary Plan
- investing in infrastructure for growth, including passenger transport and jointly funding crown priorities such as the Large-Scale Housing Programme led by Kāinga Ora on crown land

- identifying priority locations and funding a programme of urban regeneration including city centre and suburban town centres, delivered by Eke Panuku.
34. Other investment by council and local boards, such as in community facilities, walkways, town centre revitalisation or local events, while important and popular, do not meet the accepted definition of urban regeneration. They are not delivered as part of a comprehensive integrated urban regeneration plan to support the redevelopment of council surplus sites, attract investment or intensification.
35. Urban regeneration requires an integrated approach with key elements being:
- preparing the urban regeneration plan with multidisciplinary input (design, development, property, engagement and placemaking) and engagement with community and stakeholders. This is to ensure the plan is deliverable and focused.
 - building relationships with stakeholders and communities to support change
 - development of the business cases and programme of investments; managing this programme and the budget across multiple locations
 - managing the timing and delivery of projects with the market conditions
 - buying, selling and consolidating land, using tools such as the Public Works Act (PWA). Developing a commercial strategy which is integrated and supported by placemaking, engagement and public realm investment.

The CCO model for urban regeneration is proven

36. Stand-alone or arm's length Urban Development Agencies are used in a range of countries to achieve a broad range of policy goals, including regeneration of brownfield areas within urban areas and development on the urban fringe.
37. The benefits of a stand-alone entity include commercial focus, efficiency and cost effectiveness, agility and flexibility in decision making, and the ability to attract specialist skills. To drive urban change a focused team, including board and management, is needed with an integrated skill set, which includes commercial and property skills, together with the capability to partner and work with others.
38. Auckland Council is a very large organisation with a wide mandate, many pressing issues such as of local, regional, short and long-term nature and limited budgets. The need to focus efforts and coordinate use of land, infrastructure and public assets to maximise public benefits from complex urban development projects has been recognised.
39. Councils can find it hard to hold together the skills sets and closely integrated teams for complex multi-year place-based projects. The challenge is facilitating urban regeneration at scale and in a number places at one time.
40. This is why Auckland Council established Eke Panuku Development Auckland in 2015 with the mandate to pursue a structured programme of urban regeneration in suburban locations in addition to the waterfront. It was also to have a more active, implementation focused role in property on behalf of the council group.
41. Kāinga Ora delivers its large-scale housing programme on crown land and is not focused on town centre urban regeneration required to support the council's growth strategy. A reset of Kāinga Ora is soon to be announced with many programmes and projects on hold.

Feedback on urban regeneration options

42. We have only provided feedback on the shortlisted options included in the council analysis of CCO reform options.

Option UR1 - CCO Model Status Quo

43. Eke Panuku supports the status quo reflecting the strong team, clear focus and solid performance. The financial and non-financial benefits delivered by Eke Panuku have been summarised in paragraph 23 and opportunities to enhance the current model in paragraph 22. The benefits of a stand-alone agency have been described above.
44. The urban regeneration programme has grown in agreement with council as capacity and capability has been built and to take advantage of new opportunities for achieving strategic and financial outcomes and to optimise council's assets investment.
45. The analysis underplays the role of 'lead agency' to integrate and align the council group, stakeholder and community around a shared vision. Eke Panuku has been seen as the appropriate and capable entity to support the resolution of a number of challenging situations for council in recent times and has shown agility and responsiveness in picking up new work requested by council. For example, the storm recovery programme acquisitions, leadership of the city centre and development of the Port Framework Plan.

Option UR1.3 - Delivery-only urban regeneration agency

46. This option splits the core functions of urban regeneration between the council and the CCO. However best practice and experience suggests that implementable plans need to be developed by the people who are going to be accountable for implementing them.
47. The urban regeneration plans are developed by Eke Panuku with council group, local board, stakeholder and mana whenua input. The urban regeneration plans set out the vision, key moves, the preliminary commercial strategy including the council surplus sites considered suitable for redevelopment. The plans are endorsed by the Planning Committee and the local board. All site sales are approved by council. The urban regeneration plans are prepared by the multidisciplinary project teams with planning, design, development, property, engagement and placemaking skills. These teams will be responsible for implementing the plan. The teams build detailed knowledge of the place, the community and core relationships overtime, starting from the planning.
48. The risk is that if the plans are not prepared by the CCO they will lack feasibility, lack market knowledge and experience and may have unrealistic delivery expectations. For communities and stakeholders there will be a lack of continuity of urban regeneration leadership and relationships. Also, the capacity of the CCO may be significantly reduced leaving it less agile and able to work through the complex issues that arise in implementing urban regeneration. The split in responsibilities and the overlap area can be hard to define and get right, leading to duplication or delay.
49. Eke Panuku has a small strategy and planning team focused on implementation. It does not undertake any 'blue skies' planning or policy development, rightfully the role of council. The team translates council direction into deliverable plans and standards, scopes projects and prepares business cases. It provides consenting advice to the project teams and prepares consent applications for Eke Panuku projects. It develops the annual Statement of Intent (SOI), business plan and the non-financial aspects of the Annual Report. This is not the same role played within council planning teams.
50. Eke Panuku has staff expertise and skill sets that all contribute to urban regeneration. Retaining these skill sets within Eke Panuku rather than splitting between two entities allows

greater co-ordination, efficiencies, and focus on delivery of urban regeneration projects across the region and reduces the likelihood of duplication.

Option UR2 – In-house delivery

51. There is no obvious place that the urban regeneration function would sit logically within council and enable the same quality of service and focus in delivery of place-based urban regeneration plans. The sheer scale of the council will add complexity and process, and significantly slow down response times and delivery of urban regeneration.
52. A particular challenge is that place-based programmes do not fit well within the council structure, which is based around functions, service delivery and network planning. Within this structure it is extremely difficult maintaining multidisciplinary teams on place-based projects over the long time period associated with complex urban regeneration projects. Changing staff, priorities and budgets as well as unclear leadership of programmes is why urban regeneration is typically delivered by arm's length agencies.
53. A loss of commercial and development skills, from both staff and the board, and the ability to transact at arm's length, will likely mean a reduction in potential development partners. Further detrimentally impacting value for money, achievement of asset sales targets and innovation in the delivery of urban renewal and commercial functions.
54. There would be a significantly expanded workload for elected members and senior management which requires ongoing focus. Over the last 18 months the board has received around 150 decision and information papers, processing a significant volume of information to make informed and complex decisions on behalf of Auckland Council. There are also local board engagements, priority location site visits and health & safety inspections. The board has also been involved in complex litigation discussions, adding to the strategic and legal demands.
55. Independence and impartiality is required in relation to complex, large commercial negotiations. Urban regeneration programmes are implemented over many years and electoral cycles. There is a risk of short-term political decision making not aligning with long-term property requirements or urban regeneration outcomes.
56. There is the potential for less elected member oversight and visibility due to the broad responsibilities and priorities of council and the political issues of the day. Urban regeneration is unlikely to get the focus that it currently gets through the annual Letter of Expectation/SOI, quarterly reporting etc. and may be more difficult to monitor performance and manage within a council department.
57. It is suggested that local boards could have an increased decision-making role. Local boards can only do more in supporting (or leading) urban regeneration or economic development where there is more funding and significant staff resource to support them. This includes assessing property development feasibility, leading amenity improvements, advocating for stronger and more effective Business Improvement Districts or specific economic or social opportunities. If this is not new funding and a new team, then it will be at the expense of the current urban regeneration programmes.

Property management context

58. The council total property portfolio is considerable and complex, made up of many classes of assets with different purposes and characteristics. The objectives for the properties vary from community and service uses to commercial returns and business services. Eke Panuku manages the \$2.9 billion portfolio of council assets that are not being used to provide a service to the community (855 assets) and provides a significant revenue stream. The options put forward oversimplify the range of reasons property is held and its diversity of purpose.

59. The portfolio is not an investment grade portfolio. Eke Panuku has provided council with detailed categorisation of the portfolio and committed to increasing the return from the portion (27%) that can achieve a full market return. Eke Panuku is not enabled to buy and sell assets within the portfolio for investment purposes to maximise returns to council group. Where we see an opportunity, we undertake a strategic assessment and make a recommendation to council. Ultimately the council group is looking to achieve public good outcomes while exercising robust commercial practices to optimise the net return over the longer term.
60. Across the Eke Panuku portfolio, 49% are non-revenue generating, which includes bare land and public access spaces across the waterfront, as well as over 130 properties associated with the Eastern Busway project. 24% are market restricted meaning that the revenue able to be received is reduced due to the nature of the property or conditions attached, such as short-term rentals or prepaid ground leases. 27% of properties are achieving market related revenues with an average Return-on-Investment (surplus divided by asset value) of around 6.1%.
61. Eke Panuku manages the property in line with its strategic intent and purpose and brings a commercial lens to the management of the portfolio. Commercial leases require a different skill set.

Feedback on the property management options

62. We have provided feedback on the short-listed options.
63. The non-service portfolio is only a small segment of the council's asset portfolio. It is not clear that there is a more logical place for this function to be delivered without creating something new for council and Auckland Transport non-service property management. It is different to the council-managed community assets such as community pools and libraries where the focus is on public good outcomes, the level of service and the leases are to community organisations. There is no real relationship between the non-service and service portfolios and the benefits of bringing the management of all different types of property together is unclear.

Option PM 1 – Status Quo

64. The current model benefits from external governance with property skills, and a commercial, long-term view and delivery focus. It enables a clear commercial focus to be brought to non-service property management and other property functions. This recognises the complex nature of council owned land and property which comprises independent business and trust entities, joint ventures, commercial contracts, leases, complex development agreements and commercial negotiations. It also recognises the necessary multidisciplinary skill sets and expertise that is required and supports retention of staff with strong technical, commercial and industry knowledge.
65. Eke Panuku is positioned to leverage commercial opportunities, with stronger commercial focus and operational flexibility, an appropriate risk appetite, enabling returns from non-service property to be optimised and opportunities for commercialisation to be identified. It enables commercial decisions to be made on an arm's length basis.
66. There is a clear rationale for its continued delivery by Eke Panuku:
- the shared skill sets across urban regeneration and property management and ability to build a centre of excellence for property skills and offer development for staff across the property functions
 - a portion of the non-service property (250 assets) are in the urban regeneration locations. This property is managed to achieve commercial returns where possible and

in alignment with the urban regeneration plans. Some property has been acquired by us for urban regeneration for future redevelopment

- together with the urban regeneration, the non-service property management benefits from the input of the skills-based board experienced in all aspects of property and development.

Option PM3. Property management function delivered within council

67. Where this would logically sit and how it would be incorporated in council has not been detailed. There would likely be less oversight and a lack of focus from senior management due to the small scale of this function relative to core council activity and given it is a small part of the council's overall property holding.
68. From a practical experience, it will dilute commercial focus and result in greater confusion about the purpose of holding property. The risk of non-service properties getting utilised for quasi-service purposes such as community leases/leases to community groups on non-commercial terms, would reduce the revenue generated from commercial leasing and opportunity for properties to be identified for sale.
69. On the commercial side, arm's length transactions for the sale of properties are better undertaken by an experienced board with a long-term focus.

Property disposals and acquisitions – shared services

70. Eke Panuku provides a shared service to council facilitating the disposal of council surplus property and undertaking acquisitions. This is a different function to property management although it has been combined in a number of the CCO reform options.
71. Council makes the decisions on assets to be divested. Eke Panuku executes and works out the best way to achieve outcomes. It understands the drivers for developers and matches these requirements with council objectives. This is not duplication but good role clarity.
72. Eke Panuku has been consistent in exceeding its SOI asset sales targets over the last 10 years, delivering almost \$1b in property sales against an SOI target of \$700m to contribute towards council's LTP. This has been through various difficult market cycles.
73. Eke Panuku has consistently worked to unlock the disposals and development pipeline, unlocking the properties to enable them to be sold to contribute towards future asset recycling targets. If property disposals were led in-house, there is an increased risk of political relitigating of decisions and a loss of focus on the sales targets.
74. The key issue for the shareholder, and real opportunity, is for the more effective use of council owned property, including better utilisation of the council's community assets. Throughout the city there are underutilised and unsuitable property and sites that can be used more intensively through redevelopment and more intensive use or released for sale for reinvestment in other community assets.
75. Within council there needs to be a stronger and more consistent focus on, and commitment to, identifying such underutilised and unsuitable property. The 2020 CCO review recommended that council take more responsibility for the identification of surplus property to sell and the approvals process with Eke Panuku restricted to the transaction process. We supported this proposal, but it hasn't been advanced. It is easier to undertake the transactions at arm's length by a specialist team with a clear mandate from council.
76. Decisions to sell sites without the appropriate due diligence leads to increased time, cost and complexity. The process established by Eke Panuku with council ensures that the sites can be sold and any restrictions are understood prior to the decision to sell.

77. Eke Panuku also provides a shared service to council for the acquisition of property. Council decides what it needs, and we acquire it. This split supports the council focus on policy and direction with a specialist role (transactions) being outsourced to the CCO. We have the delegations from council to undertake compulsory acquisition and acquire land for infrastructure, parks, cemeteries etc.
78. Eke Panuku also has the delegation from council to undertake compulsory acquisition under the Public Works Act 1981 for urban renewal. We have used these powers extensively and successfully. For example, sites have been acquired using the PWA in Northcote, Avondale and Onehunga. A key requirement of the act is a clear urban renewal plan fully exploring options. These are prepared by a multidisciplinary team with planning, urban design, development and property specialists. There are also long-term obligations to implement the urban renewal plan.
79. It can be difficult for elected members to oversee compulsory acquisition given their close relationship with communities.
80. We are also in the process of acquiring 900+ properties for council for the storm recovery programme. To date 286 properties have been purchased at a value of \$294m. This service was stood up at speed.
81. A strong property team with specialist skills has been established to deliver all forms of property transactions, critical to urban regeneration and also providing a service to Auckland Council and Auckland Transport.

Key issues of the CCO reform and opportunities to address them

82. The Mayoral and Councillors Direction to the Council Group sets out a number of issues with the CCO model, listed below. This section provides a response and offers opportunities for improvement within the current model.
- Public trust and confidence.
 - Strategic alignment.
 - Democratic accountability.
 - Cost effectiveness, including reduced duplication.
 - Quality of services and council capability.

Public trust and confidence

83. Unlike the other CCOs, Eke Panuku is not delivering a service across the whole region and therefore low public awareness is understandable. Eke Panuku has not sought to build public recognition but focuses scarce resources on engagement with stakeholders and communities in which we are working.
84. Eke Panuku has largely positive and responsive relationships with communities, local boards, elected members, mana whenua, stakeholders, development partners and across the council group. Our independent stakeholder research shows that over the past four years Eke Panuku has experienced a significant improvement in sentiment and knowledge amongst stakeholders. We have developed 'best practices' in working with mana whenua on urban regeneration. Feedback and research, including the Houkura-led Treaty Audit, has shown that Eke Panuku consistently excels in our interactions with mana whenua through employing a collaborative approach with mana whenua from the inception of our projects.
85. Change is hard however, and selling and developing sites where there are different opinions on outcomes and options, can lead to public complaints and concerns. There can also be challenges in negotiating development agreements particularly in difficult economic times.

Eke Panuku is charged with disposing of sites that the council has approved to sell, and of moving urban regeneration plans forward. Community acceptance of change is supported through placemaking and engagement. Being at arm's length, impartial and with a long-term view supports this function.

86. In the city centre Eke Panuku, as lead agency appointed by council, has worked hard to rebuild the trust of property owners and stakeholders.
87. As reported quarterly, Eke Panuku receives few complaints, and in the marinas achieves very high customer satisfaction.
88. Public trust and confidence can be improved by a continued focus on community and local board engagement in the areas we work and maintaining a positive reputation through the delivery of agreed plans.

Strategic alignment

89. The Eke Panuku urban regeneration programme is a key Auckland Council lever to focus growth in town centres, to build communities not just houses, to leverage the investment in transport infrastructure, improve the liveability and amenity and enable low carbon lifestyles.
90. The Eke Panuku contribution to the Auckland Plan and to other council plans, strategies, actions and targets is set out in our Statement of Intent.
91. All key aspects of Eke Panuku mahi are aligned with council direction. Auckland Council selects the locations for urban regeneration, approves any changes to the programme and endorses the urban regeneration plans for each location. Auckland Council approves the Eke Panuku annual budget in the LTP and annual plan and approves any property to be sold and directs Eke Panuku to sell certain assets.
92. Through the annual LoE, Auckland Council also provides any new strategic direction or requirements. Eke Panuku is agile and responsive in supporting the council to address issues quickly and efficiently. Examples include the Port Framework Plan and storm recovery acquisitions.
93. Strategic alignment could be further enhanced by:
 - council leading the process to select new urban regeneration locations, with Eke Panuku support
 - The SOI and associated interactions are used to convey changes in priorities if the council is seeking a stronger focus on economic development or affordable housing or commercial returns, for example.

Democratic accountability

94. Elected members are accountable to their communities for the quality of services delivered by the council group. In setting up Eke Panuku as a CCO, the accountability for implementing the urban regeneration programmes and portfolio management shifts to the board and senior management. The role of council becomes one of monitoring performance.
95. Elected members, both council and local boards, need to know what is going on in their communities and to be well across the work of the CCOs and have an open opportunity to raise issues. Eke Panuku has regular meetings with elected members, in particular chairs of committees, to provide updates on specific projects and address any matters of interest to elected members. These relationships are important and are therefore led by our priority location directors and executive team.
96. Democratic accountability can be enhanced by:

- increased opportunities for elected members to receive updates. Presenting progress on the current locations to committee for review will commence this year (SOI commitment)
- more frequent updates to the Planning and Policy Committee with the mandate for urban regeneration, noting there are regular updates for the CCO Direction and Oversight Committee (quarterly reporting, 'deep dives')
- increased capacity of council governance team to engage with Eke Panuku on the issues and complexities of urban regeneration, to provide advice and to monitor performance. This does not require the movement of the whole function into council.

Cost effectiveness, including reduced duplication

97. Eke Panuku is working hard to ensure cost effective processes and value for money. It is already a high user of shared services. Eke Panuku has faced two rounds of material budget cuts in 2020 (Emergency Budget) and again in 2023.
98. There is some concern that Eke Panuku delivers urban amenity projects that other parts of the council also deliver. The difference here is that all public realm and placemaking investment by Eke Panuku is to support an urban regeneration plan and a community going through change. These investments are not ad hoc. They are specifically focused to achieve more value from the sale and redevelopment of underutilised council property, to attract investors, new residents and businesses. There is no formal agreement as to which part of the group delivers the projects, it has been 'horses for courses'. Eke Panuku collaborates with the asset owners throughout the design, procurement, delivery and handover stages. This is typically Auckland Transport, Community Facilities or Healthy Waters. In some cases, the projects are delivered by the future asset owners with joint funding from Eke Panuku. In other cases, we may deliver jointly or Eke Panuku may lead but with shared project governance. We are open to the delivery of urban amenity projects by others where there is a natural owner, with Eke Panuku acting as "internal client". This could be more formalised.

Quality of services and Council capability

99. The council has chosen to deliver urban regeneration through a CCO with a sufficient scale programme to build up the core skill sets. It would be a duplication to have the same skill sets within the council and the CCO. The 2020 CCO review highlighted the need for council to resource the function of managing the performance of the CCOs. The skill set required for this is a good understanding of the nature and purpose of urban regeneration alongside performance management and governance skills. If council wishes to undertake some limited recruitment to augment its current resources it can do so. These would not be part of an implementation agency.
100. Eke Panuku does not agree that the quality of services will be maintained or improved by moving the functions in-house.
101. The delivery of urban regeneration through a CCO does not have any real bearing on the capability of the council in planning for growth and infrastructure. The rational or benefits of 'better integration' with functions such as policy, resource consents, BIDs, as suggested in the analysis, are unsubstantiated.