



The Breathe Urban Village Competition: Why did it fail to deliver?

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ABSTRACT

Successful urban regeneration projects generate benefits that are realised over a much longer timeframe than normal market developments and benefits well beyond those that can be uplifted by a market developer. Consequently there is substantial evidence in the literature that successful place-making and urban regeneration projects are usually public-private partnerships and involve a funder, usually local or central government, willing to contribute 'patient' capital. Following the 2010 and 2011 earthquakes that devastated the centre of Christchurch, there was an urgent need to rebuild and revitalise the heart of the city, and increasing the number of people living in or near the city centre was seen as a key ingredient of that. In October 2010, an international competition was launched to design and build an Urban Village, a project intended to stimulate renewed residential development in the city. The competition attracted 58 entrants from around world, and in October 2013 the winning team was chosen from four finalists. However the team failed to secure sufficient finance, and in November 2015 the Government announced that the development would not proceed. The Government was unwilling or unable to recognise that an insistence on a pure market approach would not deliver the innovative sustainable village asked for in the competition brief, and failed to factor in the opportunity cost to government, local government, local businesses and the wider Christchurch community of delaying by many years the residential development of the eastern side of the city. As a result, the early vision of the vitality that a thriving residential neighbourhood would bring to the city has not yet been realised

Keywords: urban regeneration; Breathe competition; urban village; market approach; 'patient capital' earthquake, Christchurch

1. INTRODUCTION

The earthquakes of September 2010 and February 2011 and the many subsequent aftershocks badly damaged many buildings in the centre of Christchurch, New Zealand. Once the buildings that were deemed hazardous or irreparable had been demolished, there were many city blocks left completely empty. However despite the physical and emotional devastation the earthquakes had wrought, a new hope began to blossom. Yes, the city faced a massive rebuild and regeneration challenge, but this was also seen as a once in a lifetime opportunity to build an exemplary sustainable city fit for the 21st century.

One flagship post-quake urban regeneration project was the design-and-build Breathe Urban Village competition, named 'Breathe' to reflect its purpose to breathe new life into the central city. The competition attracted 58 entrants from around the world, and in October 2013 the

winning team was selected from four finalists. However in November 2015, the Government announced the development would not proceed.

This paper reviews how the Breathe competition was set up and run, and explores some of the factors determining its ultimate failure. It is based on confidential interviews with three of the competition organisers, two of the judges, three of the four finalists, and one city councillor, and an analysis of key competition documents and of coverage of the project in The Press and other media. Some of the documents are publicly available (many in the Beacon Pathway's 'Toolkit for Residential Design and Build Competitions'¹), others the author had access to as a member of The Viva² Project, a partner in one of the four teams of finalists in the competition.

¹ www.beaconpathway.co.nz/further-research/article/a_toolkit_for_residential_design_and_build_competitions

² <http://thevivaproject.org.nz/>

While the trigger for the competition was a natural disaster, internationally there have been many inner city regeneration and ‘brownfield’³ projects addressing similar challenges - uninhabited, sparsely habited or underused blocks of land close to the city centre, a desire to bring people back to living in the inner city, and often problematic ground conditions (e.g. contaminated sites in post-industrial brownfield projects in Europe and North America, liquefaction-prone land in Christchurch). This means there is potential to learn from international regeneration projects, and since financing of the Breathe development proved such a critical factor, the paper first examines the international experience of how urban regeneration is led and funded. The following section documents how this competition emerged from recovery plans aiming to increase the number of people living in the inner city. The Breathe Competition is then introduced, and some of the factors that emerged as critical to the financial viability of the development are explored: the price, value and condition of the land; the challenge of resolving the tension between quality of design and cost; and the options the finalists presented to make the development financially viable. Finally the outcome of the competition is discussed and some conclusions.

2. WHO LEADS AND FUNDS URBAN REGENERATION?

Since the mid 20th century, many European and North American cities have experienced physical, economic, social and environmental decline, and regeneration emerged as a process that seeks to reverse the decay, raise value and kick-start markets (Adair et al., 2003a). Traditionally, such areas of decline have been considered by the private sector as zones of risk and uncertainty (McNamara, 1993; Adair et al., 2005) and regeneration projects have therefore usually been dependent upon some form of public-sector intervention to stimulate market activity.

³ Adams et al. (2010) compared North American and British approaches to brownfield development, and note that the policy emphasis in the UK is placed not on *why* land became vacant or derelict, but rather on the processes by which it might be put to use in future, whereas in the US the term brownfield refers to land where expansion or redevelopment is complicated by real or perceived environmental contamination.

Successful cities make a critical contribution to the competitive performance of the country as a whole (Adair et al., 2000), which may explain why central governments frequently play a key role in funding regeneration projects. For example, in the UK, central government has been heavily involved in the funding of urban regeneration from the 1960s right through to the present day (Berkeley et al. 2017). There is now a wealth of research and practical experience internationally about the process of successful urban regeneration (Roberts et al., 2017). And over recent decades there has been increasing recognition of the need for partnerships which acknowledge the complementary roles of the different partners – the role of the private sector in terms of stimulating property development and investment (Adair et al., 2000), and the equally important role of strong democratic local leadership, public participation and the use of public finance to attract increased private investment (Urban Task Force Report 1999). In the UK and across Europe, there is an established consensus that successful regeneration requires a strategically designed, locally or regionally based, multi-sector, multi-agency partnership approach (Carter & Roberts, 2017)

In many regeneration projects, local leadership is provided by city councils who recognise the many economic and social benefits to the city and the community of revitalising an area and bringing life and employment back into the city. In economic terms, this is acknowledging that good urban design can create positive ‘external benefits’ – benefits of an economic, social or environmental nature that accrue to the wider community and are not fully captured by the developer (Carmona et al., 2001). These benefits can include more local employment, revitalization of a depressed area, quality of life improvements, and increasing rating values and/or tax revenue from the project and surrounding development (MFE, 2005; Leinberger, 2007; Adam and Tiesdell, 2013).

Much less common internationally are successful examples of urban regeneration led solely by the private sector. There are a number of factors that make developers reluctant to take on such projects on their own. Three key factors are:

- Urban regeneration projects are much higher risk, tend to cost more and deliver a return over a much longer period than typical suburban greenfields developments

(Adair et al., 1999; Adair et al., 2003a; Leinberger, 2007; De Sousa, 2008; Trowers and Hamlin, 2016); or are perceived by developers and their investors as higher risk, principally because of an information deficit about the returns and risks (Adair et al., 2003a, b, c; Adair et al., 2005).

- The benefits of urban regeneration projects are widely spread, and so not all easily uplifted by the developer (Carmona et al., 2001; MFE, 2005)
- The methods used by both developers and their investors to analyse financial risk are not suited to evaluating both the longer time horizon of the return and multiple sources of value that urban regeneration projects generate (Leinberger, 2007; Adams and Tiesdell, 2013; Trowers and Hamlin, 2016).

Renewal locations are characterised by a perception of market failure (Adair et al. 2003a), so regeneration projects that seek to work against existing market trends are viewed as inherently risky. Indeed Adair et al. (1999) define urban regeneration as the process of reversing economic, social and physical decay that has reached the point where market forces alone will not suffice. Residential regeneration projects are therefore usually 'place-making' exercises that effectively seek to use good urban design to transform decaying or damaged neighbourhoods into vibrant mixed-use inner city neighbourhoods that are walkable, accessible, sustainable and liveable. If the project does not succeed in quickly slowing or reversing the decline, the developer and investors face significant financial risk. Even if the project does succeed, the benefits will accumulate over many decades (Leinberger, 2007), and so a developer who exits early will not share in any uplift in property value that takes place once the build-out period is complete - these are enjoyed by subsequent owners (Trowers and Hamlin 2016). Likewise many of the benefits of regeneration spill over into neighbouring areas, to the benefit of neighbouring property owners. The temptation for developers therefore is to maximise short-term gains and not to invest in features that can produce longer-term benefits (Trowers and Hamlin 2016).

Gyourko and Rybczynski (2001) and Leinberger (2007) argue that 'walkable' mixed-use urban areas, i.e. areas where most and possibly all of life's daily needs (shopping,

recreation, school, restaurants, employment, etc.) are reachable on foot or by transit, tend to cost more upfront due to a range of factors. These can include higher inner city land prices, higher construction costs (multi-story cf. single story), and the presence of multiple uses, or multiple types of a given product (e.g. a mixture of apartments, detached houses and row houses) which mean that the scale economies associated with mass-producing a single product often cannot be realized (Gyourko and Rybczynski, 2001; Leinberger, 2007). Such developments can also be more costly to finance because developers and financiers lack experience with 'non-conforming' mixed-use and/or high density, walkable projects, compared with suburban developments that have a known market and a commoditised product that developers and their financiers are familiar with (Leinberger, 2007) and perceive that their greater complexity increases risk (Gyourko and Rybczynski, 2001).

In contrast to a suburban greenfields development, where most of the capital return is reaped by the developer within the first seven years, urban regeneration projects tend to accrue value initially more slowly, but over a 10-20 year time span are much more valuable, and therefore long term investors in such projects are likely to see substantial financial returns as the project matures (Leinberger, 2007). However the tools used to evaluate equity investments in construction projects (such as discounted cash flow and internal rate of return) are appropriate for short-term (one to seven years) investment decisions, but are less able to evaluate mid- to long-term returns (beyond year five), which is when a walkable development has the strongest financial performance (Leinberger, 2007).

Developers may thus tend to emphasise short-run returns and curtail costs, whereas the community may favour a durable yet flexible outcome that provides lasting utility (MFE, 2005). Carmona et al. (2001, p.15) describe this as commercial pressures militating against long-term investment in design quality. Left to their own devices, real estate markets tend to induce disintegrated behaviour and create disintegrated places (Adams and Tiesdell 2013), and the result will be poorer urban design than is socially optimal (MFE, 2005).

The usual solution to this problem is to seek to de-risk the project for potential developers by contributing public funds, from either local or central governments, in recognition of the many

benefits that accrue from urban regeneration and good urban design. Leinberger (2007) however, focuses not on the public/private split, but on the short term/long term focus of the investors. He argues that the key need is for 'patient equity' – equity from investors that are willing to leave their money in a project over a period of years. While this patient capital most often comes from central or local government, it does occasionally come from the developer him- or herself, or from pension funds and other institutional investors, individual investors or non-profits (Leinberger, 2007). Deeg and Hardie (2016) have developed a framework to assess the continuum of investor patience, from hedge funds, actively managed funds and most banks at the impatient end, to passive funds, families/foundations, sovereign wealth funds, pension funds, life insurance and some individuals and angel investors towards the more patient end.

One development that would make it easier for developers to access both private and public sources of patient capital would be better methods of evaluating the value of such projects. The market is good at establishing a monetary 'exchange value' for a development, but market prices are poor indicators of the value of many collective benefits, for example social value, aesthetic value and other non-market concepts of worth, since their key feature consists of externalities which are not taken into account in the price for which the goods are sold (Carmona et al. 2001). Tyler et al. (2010) were commissioned by the UK Government to develop a methodology to assess the benefits and value for money of government interventions in regeneration. Using available UK data, they concluded that regeneration projects that involved acquisition, demolition and new build delivered a benefit/cost ratio of 5.5 (central valuation) or 3.7 (cautious valuation), while new build housing regeneration projects delivered a benefit/cost ratio of 2.6 (central valuation) or 1.7 (cautious valuation) (Tyler et al., 2010)⁴. The difficulty of assessing the potential value of regeneration projects is also addressed in a recent report titled 'Highly Valued, Hard to Value' (Trowers and Hamlin, 2016). The authors explored the range of attributes that characterize

⁴In developing the estimate, the authors assumed the benefits would take some time to emerge, say three years, but that they would then persist for 30 years (Tyler et al., 2010, p.87).

successful regeneration projects (i.e. projects which create attractive and well-designed places, that people and businesses want to live in and trade from and that produce positive financial rewards for promoters and developers), and identified valuation techniques that can capture some of these attributes that are not fully reflected in market prices.

3. HOW TO ENCOURAGE MORE PEOPLE TO LIVE IN INNER CITY CHRISTCHURCH

Even before the earthquakes, there had been strong interest from Christchurch City Council (CCC) and local business groups in increasing the number of people living in or near the city centre, as a way to energise and revitalise the inner city. Inner city residents provide increased custom to inner city businesses, but also having more people living, shopping and moving about the inner city simply makes the city feel more vibrant and alive. Following the widespread devastation caused by the earthquakes, the focus shifted very rapidly to how to rebuild the city, and the need to increase the number of people living within the 'four Avenues' (Moorhouse, Fitzgerald, Bealey and Rolleston) was an early refrain.

The *Canterbury Earthquake Recovery Act 2011* required the development of a draft Recovery Plan for the central business district (CBD) within 9 months of the Act coming into force on 18 April 2011, and specified that Christchurch City Council should lead that development (*Canterbury Earthquake Recovery Act 2011*, clause 17). Accordingly by December 2011, the Council had prepared a *Central City Plan Draft Central City Recovery Plan* for Ministerial Approval (CCRP, 2011). This plan drew strongly on the submissions to 'Share an Idea', the strongly supported public consultation process organised by CCC in May 2011.

The plan acknowledged the importance for the city's vitality and the viability of inner city businesses of having more people living in the inner city. Under the heading City Life, the plan stated that 'For the Central City's recovery to be successful, it requires a significant residential population to support business growth and development, and create a high level of activity and vibrancy' (CCRP, 2011 p.100), and sets out a goal of having 10,000 households including families living in the central city by 2030 (up from 7700 residents pre-quake). The plan recognized that quite a lot would need to change for the

inner city to become 'a great place to live' and set out some of the attributes that people are looking for. These include neighbourhoods that have a sense of identity, provide a choice of living environments and enable residents to enjoy and be part of a great community atmosphere; and greater choice of housing within financial reach of people in all stages and ages of life, from one-bedroom units through to multiple bedroom family houses to attract a diverse range of residents, including families who seek safe environments in which to raise their children. 'Different housing styles will be crucial to cater for different needs and homes may include gardens or balconies, private or communal garden space and no residential parking'. (CCRP, 2011, p.100).

The plan was realistic in recognizing that these changes were unlikely to occur left to the market alone, and announced the Council's intention to 'work with partners to lead by example to demonstrate what is possible' (CCRP, 2011, p.100). The plan outlines 'a package of initiatives and incentives to establish new living choices and create great neighbourhoods. The package is designed to ensure that living in the Central City is an option for everyone' (CCRP, 2011, p.100). These included residential incentives, social housing, affordable housing, neighbourhood initiatives, and a housing showcase, with a total budget allocated of \$35.7million.

The aim of the residential incentives package was to make 'the Central City an affordable choice for everyone' and get more people living in and enjoying life in the redeveloped Central City. The plan also envisaged a tool to raise the quality of the rebuild, in terms of both environmental and social sustainability and aesthetics, by linking incentives to meeting quality design criteria, and targeting the assistance to areas of the Central City where the greatest opportunities for creating new communities exist. The proposed incentives included both a Development Contributions rebate and a Central City Home Buyers Assistance Incentive.

One initiative introduced in the Council's CCRP was a Housing Showcase. The Housing Showcase initiative was designed to create a new mixed-use, thriving inner-city neighbourhood displaying medium density homes, based on sustainable design principles. Because its chief purpose was to influence other developments, the plan set out the Council's intention to develop it early in the

redevelopment process (2012-13) (CCRP, 2011 p.102). Implementation of the showcase was to involve 'a collaborative partnership between the Council, private industry and central government agencies, with the Council taking a leadership and facilitation role in the delivery of this project. A design competition will initiate the project and promote a mix of building designs, construction materials and methods all underpinned by sustainable and affordable design principles. The Council will consider establishing a number of housing showcases if the opportunity arises'. (CCRP, 2011 p.102).

The CCC Central City Recovery Plan was submitted to the Minister for Earthquake Recovery, Gerry Brownlee, in December 2011. Over the following months the 'Minister reviewed the Council's draft Recovery Plan, taking into account its impact, effect and funding implications, and came to the view that it could not be approved without amendment. In particular, there was insufficient information in the draft on how the Recovery Plan would be implemented and it proposed changes to the District Plan that were considered unnecessarily complex'⁵.

The Minister established a special unit within the Canterbury Earthquake Recovery Authority (CERA), namely the Christchurch Central Development Unit (CCDU), and this group, working in close collaboration with the Council, Te Rūnanga o Ngāi Tahu and other key stakeholders, led the creation of a revised plan, the *Christchurch Central Recovery Plan*. This plan contained within it a Blueprint Plan, a spatial framework for central Christchurch which 'describes the form in which the central city can be rebuilt as a whole, and defines the locations of 'anchor' projects, which will stimulate further development' (CCRP, 2012, p.33). This overview plan was published in July 2012, but the details concerning the residential sector emerged much later, in March 2014, in the chapter of the Recovery Plan entitled '*A Liveable City, Draft for public written comment*'⁶.

One of the anchor projects identified in the Blueprint was a Residential Demonstration Project, carrying through the Housing Showcase

⁵ www.ccc.govt.nz/the-council/plans-strategies-policies-and-bylaws/plans/central-city-recovery-plan

⁶ <http://ceraarchive.dpmc.govt.nz/sites/default/files/Documents/christchurch-central-recovery-plan-draft-residential-chapter-16-july-2014.pdf>

idea in the earlier city council plan. A specific location for the Residential Demonstration Project was identified in the Blueprint, in an area to the north of Latimer Square (CCRP, 2012, p81-82), on a block of land at that stage not owned by the Crown. At that time (and still now), the chosen block was bordered to the east by a run down neighbourhood possibly also in need of regeneration, and to the west and south beyond Latimer Square by the cleared empty blocks designated in the Blueprint as ‘the East Frame’⁷.

The idea of kickstarting this development with a competition was not mentioned in the Blueprint, and unlike the CCC plan which had the Council taking a leadership and facilitation role in the delivery of the project, the lead agency was designated as the private sector, with CERA, CCC, Ministry of Business Innovation and Employment (MBIE) and Housing NZ Corporation nominated as partners.

4. BREATHE URBAN VILLAGE COMPETITION

In October 2012, an international competition was launched to design and build an Urban Village on this site. The competition brief was ‘to create an exemplar central city neighbourhood displaying medium density homes, based on sustainable design principles, to inspire and shape modern urban living in Christchurch’.

The competition was unusual in that rather than being simply a design competition, with the inherent risk that designs would be submitted that were beautiful but unbuildable for financial or other reasons, the competition required entrants to form a multi-disciplinary team that would be capable of buying the land and developing the design on the designated site.

The competition brief sets out the conditions for the competition, and identifies the organisers, partners and the judges. The organisers are named as the Ministry of Business, Innovation and Employment (MBIE), CCC, CERA/Christchurch Development Unit (CCDU) and Ngāi

Tahu, and the project sponsors as Cement and Concrete Association of NZ, NZ Steel, the Energy Efficiency and Conservation Authority (EECA), and Building Research Association of NZ. Beacon Pathway, the NZ Institute of Architects and NZ Institute of Landscape Architects are named as Project Supporters. The judging panel was led by Wellington-based architect Stuart Gardyne, and the other members were Kevin McCloud (UK Grand Designs), developer Martin Udale, landscape architect Di Lucas, engineer Kevin Simcock, Ngāi Tahu architect Huia Reriti and youth leader Zea Harman.

The competition attracted 58 entries from fifteen countries, including New Zealand, Australia, the United States, Europe, Egypt, Japan, China, Iran, India, and Indonesia. The entries showed amazing variety and creativity and prompted descriptions such as exciting, quirky, edgy, fascinating, fantastical, elegant, harmonious, and hobbit-like⁸, and in March 2013 a length of Worcester Boulevard was given over to display for the public⁹ the top 22 entries¹⁰.

Four finalists were selected for Stage 2 and asked to prepare more detailed plans. The finalists were Roger Walker, of Walker Architecture and Design, Wellington, with Ceres NZ Development; Jasmx architects, the Viva Project, Evergreen Realty and Latitude Group Development; Ganellen, the University of Technology Sydney and Design King Company Architects, of Australia; Anselmi Attiani Associated Architects & Cresco Group (Italy) and Holloway Builders (NZ)¹¹. In October 2013, the Anselmi Attiani/Cresco/Holloway team was selected as the winner, and they indicated they expected construction would begin mid-2014¹².

The key Government contribution to the project was the purchase by CERA of the parcels of land comprising the Breathe site (including part of Gressons Lane which previously ran across the centre of the site), and consolidation of them

⁷As at December 2017, the East Frame is still uninhabited, but Otakaro has stated it will complete the park to run down the centre of the block by Christmas (www.otakarold.co.nz/news/new-backyard-launched-for-christchurch/), and the framing has just gone up for the for the first 20 homes (of the planned 900) at the south end of the block www.stuff.co.nz/the-press/news/99221831/east-frame-apartments-start-taking-shape-in-central-christchurch

⁸www.stuff.co.nz/the-press/opinion/8386630/Grace-chaos-in-urban-village-designs

⁹www.stuff.co.nz/the-press/business/the-rebuild/8367049/Urban-Village-project-finalists-chosen Georgina Stylianou, Mar 02 2013

¹⁰<http://thevivaproject.org.nz/index.php/category/viva-projects/breathe/>

¹¹www.stuff.co.nz/the-press/opinion/8386630/Grace-chaos-in-urban-village-designs

¹²<http://bustler.net/news/3115/winner-of-the-christchurch-breathe-the-new-urban-village-project-competition>

into one title. This allowed integrated designs to be developed for the whole site, so an attractive and liveable balance of public space and private space, and of medium-density townhouse-style dwellings and higher density apartment blocks could be achieved.

4.1 Price, value and condition of the land

A clear aim of the competition organisers was to encourage the development of a replicable winning package that would provide a viable market template for other developers. This focus on an immediately replicable market solution meant that a conscious choice was made to have no long-term investment in the project from the Crown, or any of the other forms of financial sweetener found in other regeneration projects locally or internationally. It was made clear in the initial information about the competition that the Government was not planning to support the demonstration project financially, and wanted to recoup all the costs it incurred in buying the land and running the competition. However, how quickly it wanted its money back and how much it wanted back did not become clear until some months into the second stage of the competition.

In the initial competition pack, it was made clear that the winning entry was to deliver ‘a return to the Government to cover, as a minimum, the direct capital costs of facilitating this project’ (p.33). It is not yet publicly known how much the Government paid to purchase the block of land for the Breathe Village, but the decision to identify a specific block of land in the Blueprint for the Residential Demonstration Project before the Crown had ownership of the land would have inevitably placed the government in a weaker position when negotiating to buy the ten parcels of land making up the block. The vendors would have known the Government needed to buy the land to fulfill its public commitments so were probably able to command an elevated price. The initial competition pack¹³ stated ‘The land is being acquired by the Crown. The costs of acquisition are subject to negotiation by the present land owners and the Crown. Competitors are urged to concentrate in Stage 1 on the value of buildings and improvements and land values should be assumed as the registered land value. The actual land value will be introduced in Stage 2 of the

competition to provide for a full financial picture and potential support regarding the development’ (p.32).

On 4th January 2013, in the final 10 days of Stage 1 of the competition, entrants were provided with a template spreadsheet to complete financial costings and this spreadsheet included a ‘Notional land value (2007 land valuation)’ of \$4,829,000. Entrants were expected to include this cost for the land in the feasibility analysis that they submitted with their entry. Part way through Stage 2 of the competition the four finalists were sent a revised valuation of the block of land, dated 13 March 2013, which had been commissioned by the Central City Development Unit. The instructions for this valuation were ‘to establish the market value having regard to the Recovery Plan’ and placed the value of the land much higher, at \$5,985,000 (Confidential Open market valuation for the project site, 27 March 2013). Finalists were given to understand that offers for the land were expected to be in this ballpark.

The finalists queried the basis of this valuation. It was clarified that the new valuation had taken into account the higher amenity value that would in the future be provided by the East Frame, and the site’s location in the city and proximity to other planned new amenities. And whilst this valuation occurred prior to a confirmed development layout for the East Frame, ‘the likelihood that low rise residential development will occur along the eastern side of the Frame on Madras Street opposite the site was assumed’ (Breathe Stage 2 Competition Period – Questions & Answers, 6 June 2017). In other words, although developers were being asked to take the risk of being the first to start rebuilding in an area that was currently (and nearly 5 years later still is) a deserted wasteland, they were being asked to pay a price for the land which assumed all the potential developments around it had already happened.

As the competition progressed, it also became clear that the land quality also presented challenges. The initial competition pack made no reference to the fact the land was liquefiable land classed Technical Category 3 (TC3), meaning that remediation or special foundations would be required. Initially the organisers were unwilling to provide the finalists with any more detailed information about the land, meaning that to do a realistic design with realistic costings, they would have each had to pay individually for their own

¹³ www.beaconpathway.co.nz/images/uploads/Breathe_Competition_Information_Pack.PDF

geotechnical analysis. However, eventually in June 2013 the organisers made available to all the finalists an initial geotech survey of the site provided by Tonkin and Taylor, which allowed the teams to make some assumptions about what style of foundation would be needed.

At the end of Stage 2, one of the teams (Viva/Jasmax/Arcus Developments Ltd) informed the organisers that the information provided in Stage 2 about the higher price expected for the land and the physical constraints of the site had meant they had had to re-assess their design against the requirements to create a financially viable, sustainable and attractive living environment. 'This new information provided us with challenges we have been unable to solve... within the time constraints imposed by a competition ... After many, many months of dedicated work... we had been unable to produce a design that is financially viable, yet still meets our goals of environmental and social sustainability'¹⁴. The high land price demanded by the Government thus proved a bridge too far for this team, and ultimately for the winner as well (see below).

4.2 Evaluation criteria and resolving the tension between them

Eight evaluation criteria were developed for the competition. These criteria encompassed both the very best in sustainable urban design and place making, alongside financial criteria aimed at ensuring the winning development provided a viable market template for other developers, as well as meeting a need for more affordable accommodation in the inner city.

Three criteria related to the cost and financial feasibility of the proposal:

- **Viable** – the development must be commercially feasible and support the local and regional economy.
- **Affordable** – cater to the needs and budgets of a wide range of Christchurch residents.
- **Deliverable** – design concepts can be practically delivered by teams with the necessary experience, skills and resources to complete the project.

Five criteria were more design-oriented (though the innovation criteria could also apply to the financial aspects):

- **Liveable** – meet current and future lifestyle needs of its residents, foster strong community connections through a balance of private and public spaces, and enhance the surrounding neighbourhood.
- **Sustainable** – resource-efficient in design, construction and over the life of its use, and responsive to the local climate and ecology.
- **Enduring** – promote excellence in earthquake-resilience, safe and healthy design, and be adaptable and enduring for generations to come.
- **Distinctive** – the form and function of the development is well connected to, and enhances the local context, and provides a strong identity and sense of place.
- **Innovative** – the best ideas are used and creatively enhanced to deliver exceptional 21st century Central City living.

These criteria was explained in Stage 1 and further elaborated on in the Stage 2 Competition Briefing Document with a five page aspirational wish list summarising the very best standards in urban design, along with a desire for the development to be profitable, timely and deliver a return of its costs to the Government.

Inevitably there was some conflict between the eight criteria. For example, the general housing market in New Zealand has not made much progress in resolving the tension between cost and high levels of energy efficiency. In their review of housing affordability in New Zealand, the Productivity Commission found that New Zealand residential construction costs are in the order of 15-25 percent higher than in Australia and that 80 percent of new dwellings are valued in the upper two quartiles of the total housing market, meaning that new housing is generally well beyond the reach of middle to lower-income households (New Zealand Productivity Commission, 2012). These factors (among others) contribute to New Zealand housing being by some measures 'the most unaffordable in the world'¹⁵. However, most new builds meet only

¹⁴ Letter from Arcus Developments Ltd and The Viva Project to the Judges of the New Urban Village Breathe Competition, 2 August 2013, about the Arcus/Viva/Jasmax submission at end of Stage 2.

¹⁵ Newshub report on The Economist article on global house prices 11 March 2017 www.newshub.co.nz/home/money/2017/03/new-

minimum building code standards of energy and water efficiency, standards that the OECD have noted are less stringent than those in many other OECD countries (OECD, 2017). For example, the Green Building Council notes that the R-values (a measure of heat loss from ceilings, walls and floors) specified in the Building Code are 50 percent worse than many countries (Green Building Council, no date). Burgess (2011) concluded that new homes built to the Building Code standard could receive only 4 (out of a possible 10) stars on the Homestar™ rating scheme. Yet the competition was asking for designs which were both more affordable/better value for money, as well as more sustainable, accessible and liveable.

The Stage 2 competition briefing document informed finalists that all these eight criteria were of equal weight. However the same document introduced additional financial criteria, effectively changing the weighting between the design-related criteria and the financial criteria. The Judge's evaluation of each submission [against the original eight criteria] would now make up only 70% of the total score for the entry - the remaining marks would be allocated to the financial offer. The considerations in determining the mark for the financial offer were stated to be: risk allocated to organisers; value of the offer to the organisers; and acceptability of proposed variations to the Development Agreement's terms and conditions¹⁶. The Government's focus on recouping its costs and finding a model that could be picked up by other developers without any further financial input from Government was starting to outweigh the aspirational sustainable urban design criteria.

The quality of a design inevitably has some connection to the cost of a development and hence its viability. In most large projects, this tension between quality and cost is addressed by a 'value engineering' stage after the initial quantity surveyor estimates have come in, when ways to increase the value of the project are considered (in this context, value is defined as function divided by cost¹⁷). This requires clarity on the function(s) the project is seeking to

deliver, and where, for example, the project is aiming to meet multiple criteria, which ones are the most important, and which may be compromised on to make the project more financially viable or to deliver better on other criteria. However, in the Breathe process this tension between quality and cost was not addressed. No guidance was provided to the finalists (or asked for) about how to prioritise the original eight criteria, and it was clear from the final submissions that the teams differed in which criteria they gave most weight to.

The tension and ways to resolve it also appears not to have been considered by the judges in their own deliberations. In both Stage 1 and Stage 2 of the design, the judging panel (with the exception of the developer Martin Udale) focused on the quality of the design, and a separate financial team (plus Udale) reviewed the financial criteria and the financial offers of the teams.

4.3 Options to make the development viable

In the Stage 1 competition brief, after indicating that the Government wanted at a minimum to get back the direct capital costs of the project, the text acknowledged the challenges of the project and offered to work with the chosen developer on partnering opportunities to facilitate the development. 'As part of the Stage 1 submission, the entrant will provide their 'first thoughts' on these opportunities as listed. The detail and final shape of the partnering opportunities will be developed during Stage 2'. (Breathe Competition Information Pack, 2012, p.33). This wording does suggest some openness to considering other 'other partnering opportunities', but the statement about requiring the return of capital costs to the Government implied the 'partnership', at least with the Crown, was unlikely to be financial.

In the Stage 2 briefing document (p.7), the speed that the Government wanted its money back became clearer. While indicating teams could propose alternative options for how and when the land was paid for, it was stated that 'all entries will need to be converted to an equivalent NPV of 'cash price' based on:

- 1% deposit on signing of Agreement
- Final payment 23 months following site possession
- Organisers will retain a lien on site until final payment'.

zealand-housing-most-unaffordable-in-the-world-the-economist.html

¹⁶ www.beaconpathway.co.nz/images/uploads/Breathe_Stage_2_Competition_Briefing_Document.PDF

¹⁷ www.designingbuildings.co.uk/wiki/Value_engineering_in_building_design_and_construction

In other words, from the point of agreeing to build the village, the developer would be a debtor to the Crown - and also contractually obligated to deliver the village as designed by an agreed date. When it was pointed out by the finalists that a lien on the property would make it harder to secure other finance, the organisers simply replied 'A lien or similar form of security (including a caveat or mortgage) over the land is normal commercial practice where a deferred payment is proposed.' (Breathe Stage 2 Competition Period – Questions & Answers, Issued: 7 June 2013).

Despite the conflicting messages here, finalists did try to present other options to the organisers. The following are some of the options put to the organisers by the finalists:

- *Government to remediate the land before selling it to the winner.*
- *Government to partner in the development, rather than simply selling the land to the developer with conditions. Recognising that CERA was unlikely to want to take on any risk of loss in the development, its role in the partnership could be to put the land in at (initially) no cost, and then to take a profit share out of the development – i.e., the purchase price for the land from CERA would be calculated as a profit share, and not payable until the end of the development.*
- *Ganellen proposed a 'Build, Operate, Transfer' model with a government-secured loan to finance construction and delivery. The village they proposed was aimed at the rental market (primarily targeting students and the temporary workforce in the city during the rebuild), with Ganellen providing asset management for 20 years giving an annual return to the Government with this asset passed to government at the end of 20 years (King, 2014, p.413). In the final stages of the competition, Ganellen was invited back to the table to negotiate with the Government, but 'asked to modify their bid into a more conventional form. They ultimately refused the opportunity, believing that their proposed development model was the right one' (King, 2014, p.415).*
- *Jasmax/Viva's Stage 1 entry proposed a \$2m 'first start' incentive payment in*

recognition of risk taken by first rebuilders in a currently derelict abandoned area and the value of the project to the wider city in kickstarting repopulation of eastern side of city.

- *establish an Inner City Council Controlled Organisation that was then given ownership of land. The land could then have been made available for long-term lease on modest terms to residents, which would have meant that the primary cost for purchasers was the cost of the dwellings.*

None of these options were accepted. The organisers believed it was up to the private sector to both take the risk and reap the profits of stimulating residential developments in the inner city. Their focus on a replicable market solution without any longer term financial input from the central or local government meant that throughout the final negotiations with the four finalists, the Government maintained a focus on short-term market return (and arguably was seeking better-than market-returns to cover the fact it had paid more than market rates for the land).

It seems strange that the Government adopted this market only approach for a project aimed at revitalising Christchurch after a major earthquake, when the same year (2012) it had joined with Auckland Council to create the Tamaki Redevelopment Company to lead the regeneration of the Tamaki area over the next 15-25 years¹⁸, indicating an acceptance of a government role in regeneration in the Auckland context. Given that in its Central City Recovery Plan of December 2011, CCC indicated its willingness to lead the regeneration and play the role of patient capital, it is curious to speculate whether the outcome may have been different if CCC, rather than CERA, had been the purchaser of the land negotiating with the finalists.

More recently, the need for local and/or central government involvement in urban regeneration appears to have become more widely accepted in New Zealand. Council-owned regeneration vehicles have been created in

¹⁸ www.treasury.govt.nz/publications/briefings/2013-housing/11.htm, www.tamakiregeneration.co.nz/regeneration/our-community/news/urban-redevelopment-company-transform-tamaki

Auckland (Panuku Development Auckland¹⁹) and Christchurch (Development Christchurch²⁰) and approved for Wellington²¹, and in February 2017, the Government began consultation on proposed new Urban Development Authority legislation to enable publicly-controlled urban development authorities to access powers to acquire parcels of land and then plan and oversee the necessary development (New Zealand Government, 2017).

4.4 The Outcome

Almost until the project fell over, it was hailed as a success. The residential chapter of the Recovery Plan, published in July 2014, stated: 'The competition winning design was created by a team of international designers who partnered with a Canterbury construction firm. The winning entry demonstrated how high quality medium density housing can be delivered in Christchurch. The design showcases a well-balanced blend of style and quality with a range of innovative features, such as the use of the LVL timber system developed by the University of Canterbury, and the new Armadillo™ Foundation System developed by the team themselves'. Beacon Pathway provided a lot of practical advice during the competition and around 2014 developed a 'Toolkit for Residential Design and Build Competitions' which it has made available on its website²² so others could benefit from its experience of running what (at that stage) it clearly assumed to be a successful competition.

The winning team had indicated in October 2013 that the development would be underway by April 2014, but, by June 2015 construction still had not begun and their developer, Ian Smart, had not yet applied for building consents²³. Interviewed in July 2015, Gerry Brownlee, the Minister for Earthquake Recovery, effectively wiped his hands of the project saying that he thought the urban village 'should never have started in the first place...I think it's going to struggle to get off the ground '... I'm very

¹⁹ www.panuku.co.nz

²⁰ <https://dcl.org.nz/>

²¹ <http://www.stuff.co.nz/business/77708402/Urban-development-agency-idea-gets-green-light-from-Wellington-city-councillors>

²² www.beaconpathway.co.nz/further-research/article/a_toolkit_for_residential_design_and_build_competitions

²³ www.stuff.co.nz/the-press/business/the-rebuild/69432838/Christchurchs-Breathe-Urban-Village-delayed

disappointed that people who said they would do something are not going to do it'²⁴. Further, The Press (3 July 2015) reported the Minister saying he was 'probably going to get in trouble' for giving his personal opinion, but it was frustrating to 'take the flak' for the project's delays when the people behind it did not deliver what they promised. He also said the project had 'nothing to do' with the Government and was the developer's responsibility'.

It appears the Minister's comments undermined the winning team's final chance to secure the additional financing needed to meet the elevated land price required by the Government. Following a request from Stuff in December 2015²⁵, documents released under the Official Information Act in July 2016²⁶ showed that two Chinese companies and an Italian regional government were among the project's potential funders, but that the Chinese backer pulled out after Brownlee's comments were aired. The Treasury insisted on CERA being paid \$5.1m for the earthquake damaged land, and Ian Smart (the developer in the winning team) could not find any valuation that matched that²⁶. As a result he was unable to secure finance that would allow paying any more than around \$4.7m for the land, and Treasury refused to allow CERA to part with it for less than \$5.1m. In November 2015, CERA announced that the development would not proceed.

The Minister for Canterbury Earthquake Recovery was unrepentant. When interviewed in July 2016, Gerry Brownlee said the Government did not want to buy up land and sell it at discount prices. 'You don't preserve land prices by doing that and [CERA] wasn't a charity'²⁶. He was either unaware or unconcerned that the elevated land prices were one of the key factors inhibiting the residential developments needed to bring people back into the city, and so delaying the city's recovery.

In response, Ian Smart stated that the failed project had cost him hundreds of thousands of dollars²⁶. However his was not the only team to

²⁴ www.stuff.co.nz/the-press/business/the-rebuild/69935284/Recovery-Minister-Gerry-Brownlee-slates-Breathe-Urban-Village The Press 3 July 2015

²⁵ www.stuff.co.nz/the-press/business/the-rebuild/75334172/Scrapped-Breathe-competition-a-waste-of-time-and-money

²⁶ www.stuff.co.nz/business/81984571/gerry-brownlee-denies-blame-for-failed-breathe-residential-project

put in enormous time and resources into this project. Extrapolating from estimates of costs at each stage for the four finalists, it seems likely the 58 multi-disciplinary teams of entrants each spent \$20,000-40,000 in professional time in developing their concept plans, and each of the four teams of finalists a further \$50,000-\$60,000 preparing detailed plans, giving a total of roughly \$2 million of professional time between them, not to mention many hours of community time. If none of these village designs are built, then all this effort and international goodwill towards helping breathe life into the city has been wasted.

5. CONCLUSION

The potential benefits to the inner city's recovery of an early kickstart of residential development were significant. However central government was unwilling or unable to recognize that an insistence on a pure market approach would not deliver the innovative sustainable village asked for in the competition brief. This level of naïve neoliberal faith that the markets could deliver urban regeneration to a badly damaged city was not seen even in Margaret Thatcher's Britain, or in the decades since (Roberts, 2017; Berkley et al. 2017). In the UK, public sector funding was central to most urban regeneration efforts in the 1970s and 1980s. As a result, the evolving debate there has not been about whether public money should be involved, but about how to make better use of public funds to leverage private investment, how to foster the formation of public-private partnerships, and why it was important to increase local government and community involvement (Berkley et al. 2017, Roberts, 2017).

International experience would suggest that the sheer scale of the area of empty city land in the Christchurch inner city presents a significant 'first mover' disadvantage and high risk to the first developer seeking to turn an empty wasteland into a vibrant community. However, if such a project were successful, there would be significant benefits to the city and wider community, so a contribution of local or central government money would have been entirely appropriate. There are many ways such contributions can be made. Options include tax incentives, contribution of land (by gift or lease), subsidies for land costs or land value write-downs, loans for land purchase and/or

construction, site assembly, site remediation, additional density or height allowances, development contributions rebate, new infrastructure for transportation and facilities, open space and landscape beautification, and a home buyers assistance incentives (Meyer and Lyons, 2000; Kriken, 2010; CCRP, 2011; Raf Manji, pers.comm.).

In return for their subsidies, local or central governments or development agencies often seek to dictate, or at least influence, the type of use to which the site will be put (Meyer & Lyons, 2000). In the Breathe case, the Government wanted to dictate the site's use without making any financial contribution. The Government did indicate that no district plan rules would apply for the site, and has subsequently funded nearby amenities - the nearby Margaret Mahy Playground which opened in December 2015²⁷, and a park and paved areas through the centre of the nearby East Frame due for completion in early 2018²⁸. However, at the time of the competition and for that specific site, the only contribution made by the Government to reduce financial risk for the developer was to consolidate the site into one title. In return, it wanted a developer to take on all the first mover risk themselves, to pay the Government an elevated price for a liquefaction-prone piece of land, and then to enter a contract to deliver an agreed development on the land by an agreed date, therefore tying the developer's hand on what it did on that site.

When assessing a range of 'patient capital' options put to it by the finalists and the request by the finalists for a more reasonable valuation of the land, the Government failed to factor in the opportunity cost to itself, and to local government, local businesses and the wider Christchurch community of delaying by many years the residential development of the eastern side of the city. As a result, the development failed to eventuate. Five years since the initiation of the Breathe competition and seven years since the first earthquake, the city block designated for the Breathe village and a further 10 city blocks to

²⁷ www.stuff.co.nz/the-press/business/the-rebuild/75472074/How-much-did-Christchurchs-Margaret-Mahy-playground-cost

²⁸ www.otakarold.co.nz/anchor-projects/the-east-frame/

the west and south of the site remain empty and deserted. For want of a little patience about when and how it got its financial return, the early vision of the vitality that a thriving residential neighbourhood would bring to the city has not yet been realised.

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