

# RUAPEHU DISTRICT COUNCIL

## Confidential Reports Released into the Public Business

FROM THE MEETING OF RUAPEHU DISTRICT COUNCIL  
ON WEDNESDAY 5 AUGUST 2020

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### Item

#### C1 Housing Initiative: Quick Start Social and Affordable (Key Worker) Housing for Ruapehu District - CIP Grant mobilisation

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Housing Initiative: Quick Start Social and Affordable (Key Worker) Housing for Ruapehu District - CIP Grant mobilisation	s7(2)(i) To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7

The report titled *Housing Initiative: Quick Start Social and Affordable (Key Worker) Housing for Ruapehu District - CIP Grant mobilisation*, as submitted to Council on 5 August 2020 was released as publicly available information as an attachment to the report titled *Proposed Teitei Drive Housing Development* at the Meeting of Council 27 September 2023.

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### Minutes

#### C1 Housing Initiative: Quick Start Social and Affordable (Key Worker) Housing for Ruapehu District - CIP Grant mobilisation

- 1 That the report on the Housing Initiative: Quick Start Social and Affordable (Key Worker) Housing for Ruapehu District – CIP Grant mobilisation be received.
- 2 That Council authorises the Chief Executive to enter into the agreement with CIP to receive the \$7.78 million grant, subject to the Chief Executive negotiating acceptable terms for the Funding Agreement.
- 3 That Council borrows up to \$1.4million (excl. of GST) as the local share to catalyse the 'shovel ready' Housing Initiative proposed as part of the CIP funding application.
- 4 That the Chief Executive be authorised to advance due diligence on potential sites (including a partial draw down of \$100,000 for site investigation works over 4 study sites and \$125,000 for an investigation of additional sites within the wider Ruapehu District including Raetihi, Waiouru, Ohakune, and Taumarunui) to assess suitability and likely timing within the overall quick start for the programme.
- 5 That a Consultation Proposal for Council's new proposed Social and Affordable Housing Asset and Tenancy Management Strategy be prepared and reported to Council for approval at its 26 August 2020 meeting so that it can be publicly notified by 1 September 2020.
- 6 That the Chief Executive be authorised to fully engage with potential housing partners including Kāinga Ora, Intellectually Handicapped Children, Accessible Properties, local Iwi Authorities, and local businesses such as the Pet Food Factory owner.
- 7 That this resolution is not recorded in the Public Business Minutes of this meeting.
- 8 That this report is not released as publicly available information.

**Report to: Council**

**Meeting Date:** 5 August 2020

**Subject: Housing Initiative: Quick Start Social and Affordable (Key Worker) Housing for Ruapehu District - CIP Grant mobilisation**



**Purpose of Report**

- 1.1 The purpose of this report is to seek Council's endorsement to mobilise the Crown Infrastructure Partners (CIP) Grant of \$7.78 million (excl. of GST), in stages and with milestones based on both a "shovel ready" project and a wider investigation of opportunities across the District. This is a time critical imperative in order to meet the proposed Grant terms and conditions within the scope of the quick start Social and Affordable (key worker) Housing programme.
- 1.2 This report is confidential owing to the commercial sensitivity of the in-principle CIP Grant approval, including public announcements, and terms of contracting.

**Executive Summary**

- 2.1 This report is written on the basis that while the Council has received an in-principle approval of a CIP Capital Grant of to \$7.78 million (excl. of GST), it has not received funding of \$15.49 million (excl. of GST) sought for a construction underwrite. In this regard, if the Council enters into a Funding Agreement with the Government it will need to provide a local share of funding for the pilot shovel ready project as a proof of concept development for a wider housing programme across the District. The Government is seeking advice about the arrangements for co-funding and Crown Infrastructure Partners (CIP) have been appointed to undertake due diligence and settle the terms of any Funding Agreement with the Council. CIP requests that this be done as soon as possible so that final approvals of Government can be obtained and funding can be drawn by Council. Therefore, time is of the essence to continue the preparatory work leading up to the CIP application. It is noted that the \$7.78 million (excl GST) is a Grant and if spent in accordance with the CIP application is not repayable and does not put the Council at risk. However, there is a need for Council to approve a local share for a 'build ready' project in light of not receiving the Construction Underwrite funding sought.
- 2.2 **TWO IMMEDIATE WORKSTREAMS REQUIRE APPROVAL BY THE COUNCIL TO MEET THE GRANT SCOPE AND TIMEFRAMES TO ACHIEVE 'BUILD READY' LAND, AND ARE AS FOLLOWS:**
  - (a) Approval is sought to borrow up to \$1.4million (excl. of GST) as the local share to catalyse the Housing Initiative proposed as part of the CIP funding application.
  - (b) Approval to advance due diligence, including site investigation over 4 study sites as well as a wider investigation of potential sites within the wider Ruapehu District including Raetihi, Waiouru, Ohakune and Taumarunui, to assess suitability and likely timing within the overall quick start for the programme.

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- 2.3 It is proposed that the Council uses its current Tenders Group to enable governance and a reporting structure. The time frames and scale of this Housing Initiative require clear focus and project-based delivery accountability to be successful. This team will set and manage milestones, manage the funding requirements and report back to the RDC Executive and Councillors, plus reporting to the CIP Project Manager. The budget allocation for project management is included within the CIP works.
- 2.4 It is noted that a number of other work-streams running in parallel to this Housing Initiative have supported the submission and associated Business Case, plus preparation for consultation on a Draft Asset and Tenancy Management Strategy (ATMS) and associated implications for the upcoming LTP (refer separate paper).
- 2.5 The procurement methodology outlined in the CIP Business Case and developed further via the Draft ATMS, that is going to market via an Invitation to Partner (ITP) is fully aligned to the procurement best practice requirements outlined in the Draft CIP contracting terms.
- 2.6 Decisions over the level of co-funding Council secures, debt funding with a local share and the overall project are covered in a separate paper as well as the likely timing and level of public consultation required as separate considerations. The financial scope and options are included in Appendix A for information.
- 2.7 The CIP application outlined a grant funded Housing Initiative with an active delivery time frame of five years, with the funding called down to meet the milestones and sequencing set and managed as rolling programme of work. The indicated contracting terms of the Grant are that funds are not drawn as one-up front payment, but in accordance with key project milestones and evidence that they are being achieved. This underscores that time and delivery are of the essence.
- 2.8 There are also a number of emerging external factors which are supportive of the strategic aspirations of the RDC and expanded upon in the ATMS. In summary, work on development and expansion of housing in the District has enabled the CIP submission to be robust and forward thinking. The priority now is to deliver this initiative within the context of the wider aspirations for growth and economic development.

## Significance and Engagement

### 3.1 SIGNIFICANCE

- 3.1.1 Social Housing falls under the Group of Activities Facilities and Assets in the LTP. Council also has council owned land, including vacant land that falls under the portfolio of Community Property.
- 3.1.2 Council's Significance and Engagement applies in principle, as there will be some community interest, but the proposal is not significant in terms of an amendment to the 2018 Long Term Plan, as set out below:
  - (a) while it will result in a change to the level of service for social housing, this is not significant overall;
  - (b) while it intends to increase affordable housing, this is not in the entirety of the asset class;
  - (c) while it is a new use of existing vacant council land, this is not significant in terms of the Policy.

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3.1.3 RDC will consult as there will be community interest on the project, but not as an amendment to the LTP, or under the special consultative process.

3.1.4 The proposal intends to be ‘rates positive’ over time rather than ‘rates neutral’ by ensuring tenants pay rent relative to new fit for purpose dwellings at 80% of a full market rent, or where sold to an accredited CHP, then via access to an Income-Related Rent Subsidy (IRRS), the sale of the house and land will be at ‘fair value’, providing a positive net cash inflow to Council. The addition of new homes on vacant land will provide an ongoing increase in rates revenue for Council.

3.1.5 The proposal will positively affect the Outcomes in the Long Term Plan including ‘Strong Leadership and Advocacy,’ ‘Safe, Healthy Communities’ and ‘Thriving Economy.’

## 3.2 ENGAGEMENT

3.2.1 As the overall programme is significant the Council will need to go through the decision-making steps pursuant to section 76-82 of the Local Government Act 2002 and undertake public consultation. Consultation is likely to include ‘involvement’ and ‘collaboration’ as is occurring with iwi currently.

3.2.2 The funding approval for RDC’s CIP application is subject to the project being materially as presented in the Project Information Form (PIF) submitted. This included a “quick start” Phase 1 wider due diligence phase. This work can get underway ahead of the wider ‘Phase 2’ programme involving “*public consultation and also scope for additional land (vacant or for redevelopment) to be considered and potentially scale up the wider programme.*”

3.2.3 Now that funding has been approved, in principle, by Ministers it will be essential to initiate consultation as soon as possible to ensure that the Cherry Grove pilot shovel ready project can proceed as a “shovel ready” project and that the Council, can confirm the nature of a wider Phase 2 programme. An indicative timeline for consultation is included in Table A below. It is proposed to report a draft Consultation Document to Council at is 26 August 2020 meeting for review and approval. For clarity, concluding the commercial negotiations with the Crown Infrastructure Partners team, and being able to get underway, needs to occur now.

Table A: Social and Affordable (key worker) Housing Proposal Consultation											
Indicative Timeline											
5 Aug 2020	25 Aug 2020	Sept 2020	31 Oct 2020	Nov 2020	Mid Dec 2020	Jan 2021	Feb 2021	March 2021	April 2021	May 2021	June – Oct 2021
<ul style="list-style-type: none"> <li>Report CIP Funding approval and conditions to Full Council</li> <li>Seek endorsement of Proposal for Consultation for Phase 1 and 2 Housing programme proposal</li> </ul>	<ul style="list-style-type: none"> <li>Report MEQ Property Review of ATMS to Full Council</li> <li>Consultation Document drafted and reported to Full Council for sign-off</li> </ul>	<ul style="list-style-type: none"> <li>Public Notification of Proposal and Community Engagement commenced and submissions called for</li> </ul>	<ul style="list-style-type: none"> <li>Hearings Report drafted and hearings held</li> </ul>				<ul style="list-style-type: none"> <li>Consents and engineering plans for Civil Works issued</li> </ul>	<ul style="list-style-type: none"> <li>Civil Works commence</li> </ul>	<ul style="list-style-type: none"> <li>Civil Works progressed</li> </ul>	<ul style="list-style-type: none"> <li>Civil Works completed</li> </ul>	<ul style="list-style-type: none"> <li>Homes Built at Cherry Grove (16-18 weeks)</li> </ul>
← Due diligence across study sites (Geotech, contamination, topo survey)		← Marketing Study – informal engagement & collaboration with Kāinga Ora, Iwi, CHPs, ITP Build Partner		← Final Proposal adopted by Full Council		← ITP Build Partner confirmed		← Consenting & Engineering Plans complete			

## Background

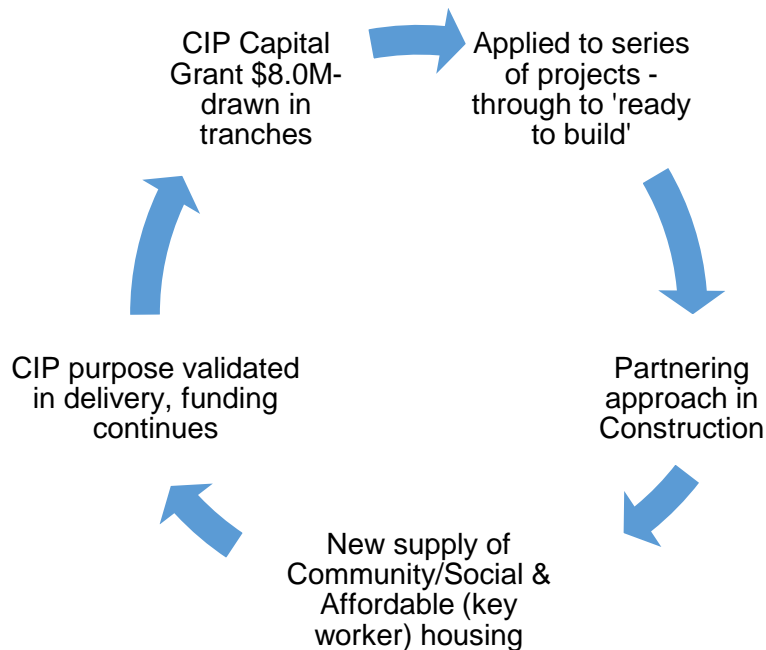
- 4.1 The Council's objective is: *To drive District growth through initiatives that improve the economic, environmental, social and cultural wellbeing of our local communities while protecting our environment*". (Source: Council website).
- 4.2 Section 77 of the Local Government Act 2002 sets out requirements in relation to decisions. These include the following:
- (1) *A local authority must, in the course of the decision-making process —*
    - (a) *seek to **identify all reasonably practicable options for the achievement of the objective of a decision**; and*
    - (b) *assess the options in terms of their advantages and disadvantages;*
    - (c) *if any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.*
- 4.3 **RECAP AND OVERVIEW:**  
Council's CIP application sought funding for a capital grant of \$7.78million (excl. of GST) based on 5 study sites, which were subject to an initial development time and feasibility assessment, plus a further initial workstream with a budget allocation of \$125,000 (excl. of GST) to investigate other sites for housing opportunities across the wider Ruapehu District including Raetihi, Waiouru, and Ohakune; that is, the application highlighted that the proposal was to facilitate a rolling, multi-year housing programme of regeneration and stock expansion across the District-
- 4.4 **THE PROPOSED SCOPE WAS FOR COUNCIL TO FACILITATE:**  
*Master-planning, procurement, design & compliance, site works & servicing (3 waters, power etc.), site infrastructure upgrades roading and reserves around reconfigured housing. The grant is a one-off grant and not repayable as it has enduring benefit to the District.*
- 4.5 As each nominated site is master-planned and serviced, consented, and formed to a developed level to suit house construction, they become 'shovel ready'.
- 4.6 Council also sought separate Housing Construction Underwrite funding of \$15.49 million (excl. of GST) to accelerate the construction and therefore supply of new homes. The strategy included a range of potential ownership models, e.g. retained, sold for Community/Social or Key Worker housing, or other shared ownership arrangements. This Underwrite has not received approval.
- 4.7 **THE UNDERWRITE SOUGHT TO COVER:**  
Construction and fitout of new homes where land continues to be retained and operated as Community Housing. The underwrite was a capital facility, and not repayable unless the house & land is sold within 25 years of construction for purposes other than Community/Social housing provision.
- 4.8 In the absence of the Construction Underwrite, active and expeditious use of the CIP Capital Grant will still stimulate the provision of new and additional Housing through making the land fully serviced and 'build-ready'.
- 4.9 Close collaboration and partnering with others were proposed in the full CIP application, and the CIP in principle approval recognises and seeks to quantify co-funding of the CIP projects.

**4.10 DEVELOPMENT OF A REGENERATION FUND:**

The CIP funding approved in principle is a Capital Grant, drawn to meet the agreed outcomes between the Council and the Crown. And provided that the purposes of the grant are met, then funds are drawn, applied and there is no repayment obligation.

4.11 As a pipeline of work, it is envisaged that the initial due diligence process will set go / no go points. That is, where the site is able to be developed, serviced, and delivers a financially viable outcome, then it would be a 'go'. Where there are some latent impediments e.g. ground conditions, or redevelopment triggers a major infrastructure upgrade, then it will be a 'no-go'. The due diligence funding of \$125,000 (excl. of GST) capital is intended to facilitate more than the 5 study sites being quickly assessed and scheduled as viable or non-viable candidates for the overall Housing initiative.

4.12 By undertaking this work, applying CIP funding to facilitate 'build ready' sites and seeking to collaborate with others, it is envisaged that a Regeneration Fund could be established, with the potential to have an ongoing application. It is noted that there is no obligation to do so, rather it is the construct that is put forward and discussed further in the Draft ATMS, for example:



**4.13 PARTNERING IN CONSTRUCTION:**

In the absence of the Construction underwrite, facilitating new house construction will require a range of collaborative and partnering style arrangements. These are discussed further in the associated paper. A summary of potential partners is set out below, noting that part of the initial set-up works for the RDC Project Team will be to confirm the level of interest, including seeking letters of support as part of the CIP contracting requirements.

4.14 Initial informal discussions through the CIP application and business case phase have already started this dialogue.

**4.15 OPTION 3 - COUNCIL GAINS CIP FUNDING FOR THE QUICK START SOCIAL AND AFFORDABLE (KEY WORKER) HOUSING PROGRAMME**

(a) Supported in writing by Ngāti Hāua Iwi Trust; and informal engagement with local Iwi Executives by RDC's CE

- (b) Enables market entry homes (2 bedroom/2 bathrooms)
- (c) Serves range of residents
- (d) 'Kick starts' housing build programme through ITP (Invitation to Partner)
- (e) Partnering and local training and employment options

#### **4.16 POTENTIAL PARTNERS IN LAND, LAND DEVELOPMENT, AND HOUSE CONSTRUCTION:**

- (a) Kāinga Ora
- (b) Other accredited Community Housing Providers (CHP)
- (c) Iwi, as a CHP and or including scope for construction on Iwi owned and retained land
- (d) Local businesses willing to enter a head lease for Key Worker rental housing
- (e) Shared equity providers to support access to new Affordable (key worker) housing

#### **4.17 A CIRCUIT BREAKER APPROACH:**

In the absence of a Housing Construction underwrite, the need to achieve a proof of concept is paramount. It is not advocated that Council replace the \$15.49 million (excl. of GST) construction funding with borrowings. This would be challenging to fund and present an undue level of commercial risk.

4.18 Instead, utilising one of the initial study sites as a project with a local share, the Cherry Grove project (refer appendix A) can serve as a proof of concept to ensure that this initial project is advanced beyond the 'build-ready' land, through to the completed built form will assist the take-up and construction of new housing on other sites which are brought into the overall programme.

4.19 New, fit for purpose, well-designed, landscaped, and modest homes can be delivered and a range of partnering and funding scenarios are outlined in Appendix A.

#### **4.20 ECONOMIC DEVELOPMENT AND EMPLOYMENT:**

At the heart of this Housing Initiative is the economic stimulus and the multiplier impact which new housing and associated delivery and support services bring to the Ruapehu District. As such, key operating tenets of the programme of work are seen to include:

- (a) Employ, train, source resources locally wherever possible
- (b) Stimulate local supply if it is absent
- (c) Track the full time equivalent (FTE) involved in the project from concept to delivery (also a require reporting metric)
- (d) Access to the new housing (rental or affordable ownership) is for residents of the Ruapehu District, not visitor accommodation.

## **Discussion**

### **5.1 SOCIAL IMPACT ANALYSIS**

5.1.1 The Council adopted its updated Social Impact Assessment Policy in 2018. This emphasises amongst other matters, the importance of community resilience; working alongside impacted communities; improving the quality of life for residents; and informing policy decisions with data and evidence.

5.1.2 The proposal for Council to take a leadership role to improve housing choice and product as well as drive economic outcomes such as employment opportunities while making decisions

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that are cost effective is consistent with the outcomes 'Strong Leadership and Advocacy,' 'Safe, Healthy Communities' and 'Thriving Economy' sought by Council.

- 5.1.3 At the same time, there are some local share costs associated with the proposal as outlined in this report.
- 5.1.4 These have been made explicit in the reporting which is in keeping with Council's goal to be Council is proactive, transparent, and accountable.

## Suggested Resolution(s)

- 1 That the report on the Housing Initiative: Quick Start Social and Affordable (Key Worker) Housing for Ruapehu District – CIP Grant mobilisation be received.
- 2 That Council authorises the Chief Executive to enter into the agreement with CIP to receive the \$7.78 million grant.
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- 7 That this resolution is not recorded in the Public Business Minutes of this meeting.
- 8 That this report is not released as publicly available information.



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### Attachments:

- Appendix A – initial CIP milestones and cash flow
- Appendix B – CIP Capital Grant, breakdown of land development to 'build-ready' costs – 5 study sites
- Appendix C – 14 Cherry Grove as a standalone project
- Appendix D – General background information



## Appendix A – initial CIP milestones and cash flow

Proposed project components:  
(Updated Project management and cost assessment 27/07/2020)

Project spend (summary)	Initial study sites	Wider programme	Total \$ (excl. GST)
<b>CIP CAPITAL GRANT</b>	\$	\$	\$
<b>Civil works based on the 5 study sites</b>			
Proposed reconfiguration enabling works			
Due diligence & further site investigations	\$ -	\$ 125,000	\$ 125,000
Project establishment & preliminary investigation	\$ 21,300		\$ 21,300
Site clearance:			\$ -
- removal of current dwellings, decontamination & other materials, cap services, & stabilise sites	\$ 2,528,610		\$ 2,528,610
Earthworks, access, drives, lighting & hard surfaces	\$ 1,656,380		\$ 1,656,380
3 Waters and other services	\$ 1,094,518		\$ 1,094,518
Project management & other construction costs	\$ 1,075,739		\$ 1,075,739
Allowance for unforeseen costs	\$ 75,000		\$ 75,000
RC, sites survey, planning, urban design & engineering	\$ 979,400		\$ 979,400
Site preparation for dwellings, survey & engineering	\$ 229,880		\$ 229,880
	<b>\$ 7,660,827</b>	<b>\$ 125,000</b>	<b>\$ 7,785,827</b>

Financial year close – initial cash flow forecast:

As part of finalising the CIP commercial negotiations, the project milestones, timing, and quantum will be agreed between the RDC Delivery Team and the Crown. These milestones will be reported on as part of the project management arrangements.

**Appendix B – forecast CIP Capital Grant, breakdown of land development to ‘build-ready’ costs – 5 study sites**

<b>Civil Costs, Professional services and site enabling works</b>										
		Per site volume					Printed:	27/07/2020		
	Per sqm cost x full site M <sup>2</sup>	968.0	2,407.0	1,214.0	4,302.0	4,046.0	12,937.0	true	check	
Assumed developable area (average across the sites)	70%	695.4	1,695.5	818.2	2,422.7	2,764.5	8,396.2			
		Site 1	Site 2	Site 3	Site 4	Site 5				
Existing unit count		0	8	4	25	20	57	true		
Proposed unit count	70%	6	15	7	21	25	74			
Project establishment & preliminary investigation		\$ 2,500	\$ 6,200	\$ 1,300	\$ 8,900	\$ 2,400	\$ 21,300	\$	\$ 21,300 \$288	
Site clearance:										
- removal of current dwellings	\$15,000	\$ -	\$ 120,000	\$ 60,000	\$ 375,000	\$ 300,000	\$ 855,000		\$11,554	
- decontamination / removal of unsuitable material	\$25,000	\$ 150,000	\$ 200,000	\$ 100,000	\$ 625,000	\$ 500,000	\$ 1,575,000		\$21,284	
- re-sale / re-use of existing buildings (assume 25%)	(\$5,000)	\$0	(\$10,000)	(\$5,000)	(\$31,250)	(\$25,000)	\$71,250		(\$963)	
- cap & repair existing services (where applicable)	\$2,500	\$0	\$20,000	\$10,000	\$62,500	\$50,000	\$142,500		\$1,926	
- traffic management - per site allowance	\$3,000	\$3,000	\$3,360	\$3,000	\$9,000	\$9,000	\$27,360		\$370	
Site clearance							\$ 2,528,610		\$34,170	
Earthworks & silt control - per cubic m x area	\$30	\$ 29,040	\$ 72,210	\$ 36,420	\$ 129,060	\$ 121,380	\$ 388,110		\$5,245	
Drives & hard surfaces - area	\$245	\$ 71,148	\$ 176,915	\$ 89,229	\$ 316,197	\$ 297,381	\$ 950,870		\$12,850	
Access ways, crossings, lighting, kerb & channel	\$15	\$ 14,500	\$ 36,100	\$ 18,200	\$ 64,500	\$ 60,700	\$ 194,000		\$2,622	
Landscaping of footpath and access way - area	\$10	\$ 9,200	\$ 23,000	\$ 11,600	\$ 41,000	\$ 38,600	\$ 123,400		\$1,668	
Stormwater - per cm	\$7	\$ 6,800	\$ 16,800	\$ 8,500	\$ 30,100	\$ 28,300	\$ 90,500		\$1,223	
Waste water - per cm	\$8	\$ 7,600	\$ 18,900	\$ 9,500	\$ 33,700	\$ 31,700	\$ 101,400		\$1,370	
Waste water - line connection to local pump stations		\$ 47,000					\$ 47,000		\$635	
Utilities (power, comms, potable water) - per lot	\$4,750	\$ 28,500	\$ 71,250	\$ 33,250	\$ 99,750	\$ 118,750	\$ 351,500		\$4,750	
Stormwater - per connection	\$1,500	\$ 9,000	\$ 22,500	\$ 10,500	\$ 31,500	\$ 37,500	\$ 111,000		\$1,500	
Waste water - per connection	\$1,800	\$ 10,800	\$ 27,000	\$ 12,600	\$ 37,800	\$ 45,000	\$ 133,200		\$1,800	
Landscaping - area	\$57	\$ 15,606	\$ 40,726	\$ 22,658	\$ 107,574	\$ 73,353	\$ 259,918		\$3,512	
Project management	3.00%	\$ 12,070	\$ 25,160	\$ 12,610	\$ 57,940	\$ 50,600	\$ 158,380		\$2,140	
Subtotal		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,909,278	\$39,315	
Project Management & Construction contingency	15.0%	\$ 66,136	\$ 165,341	\$ 77,159	\$ 231,478	\$ 275,569	\$ 815,683		\$11,023	
Development contributions - assumed on all HUE**	\$1,374	\$ 8,244	\$ 20,610	\$ 9,618	\$ 28,854	\$ 34,350	\$ 101,676		\$1,374	
Other land development costs								\$917,359	\$0	
							Total	\$ 6,376,547	true	
							Total per lot	\$75,018		
**Note: as DC's are low it has been assumed that there is no off-set for removal of existing dwellings. Also this cost does not allow for any upstream infrastructure upgrades and assumes capacity for the increase exists.										
Professional Services Costs							Total cost excluding GST	Project cost ex GST	average per unit	
<b>Resource Consent Sites Survey, Planning Urban Design and Engineering</b>										
Professional fees to prepare & inputs to land use, EPA, & RC (NB: Some of this could be internal to BC per dwelling (assume multi-use & repeat)	\$65,000	\$ 39,000	\$ 97,500	\$ 45,500	\$ 136,500	\$ 162,500	\$ 481,000		\$6,500	
Programme management	\$3,500	\$ 2,100	\$ 5,250	\$ 2,450	\$ 7,350	\$ 8,750	\$ 25,900		\$350	
Planner (RDC resource) - allocate FTE cost	\$100,000	\$ 8,108	\$ 20,270	\$ 9,459	\$ 28,378	\$ 33,784	\$ 100,000		\$1,351	
Urban Design (Kainga Ora resource) / external	\$5,000	\$ 3,000	\$ 7,500	\$ 3,500	\$ 10,500	\$ 12,500	\$ 37,000		\$500	
Site survey - averaged across sites, topo & levels	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$25,000		\$338	
Geotechnical Engineer - per unit	\$850	\$ 5,100	\$ 12,750	\$ 5,950	\$ 17,850	\$ 21,250	\$ 62,900		\$850	
Structural engineer - for foundation design	\$950	\$ 5,700	\$ 14,250	\$ 6,650	\$ 19,950	\$ 23,750	\$ 70,300		\$950	
Fire report - where terrace/duplex product, per site	\$950	\$ 1,583	\$ 1,055	\$ 1,507	\$ 718	\$ 287	\$ 5,150		\$70	
Contingency	15.0%	\$ 10,980	\$ 25,890	\$ 12,630	\$ 35,830	\$ 42,420	\$ 127,750		\$1,726	
							Sub Total	\$ 979,400	true	
		\$ 84,171					Per lot	\$13,235		
<b>Site works Stage 1 - Site preparation for dwellings - Survey and Engineering</b>										
Engineering Certification, Final As-built Plans, Section 223 + 224 Release - per lot	\$450	\$ 2,700	\$ 6,750	\$ 3,150	\$ 9,450	\$ 11,250	\$ 33,300		\$450	
Land Transfer Survey - per site	\$3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000		\$203	
GCR - geotechnical completion report per site x area	\$3,000	\$ 2,900	\$ 7,220	\$ 3,640	\$ 12,910	\$ 12,140	\$ 38,810		\$524	
Contamination validation report x site x area	\$5,000	\$ 4,840	\$ 12,040	\$ 6,070	\$ 21,510	\$ 20,230	\$ 64,690		\$874	
Council Section 223 + 224 Release - per unit	\$650	\$ 3,900	\$ 9,750	\$ 4,550	\$ 13,650	\$ 16,250	\$ 48,100		\$650	
Contingency	15.0%	\$ 2,600	\$ 5,810	\$ 3,060	\$ 9,080	\$ 9,430	\$ 29,980		\$405	
							Sub Total	\$ 229,880	true	
							Sub Total per lot	\$3,106		
<b>DISCLAIMER: The above assessment is based upon a desk-top survey of the five study sites, and reliant on competitive pricing of civils, project delivery and other professional services. Technical reports to validate these cost assumptions have not been obtained, however the costs to obtain these reports are allowed in the above cost assumptions.</b>										
Scenario 1:	70%	Total Development cost			Contingency total		\$ 973,413	\$ 7,585,827		
		Total Development cost per lot			% of total costs		12.8%	\$102,511		
Scenario 2:	80%	Total Development cost			Contingency total		\$ 680,863	\$ 7,627,569	true	
		Total Development cost per lot			% of total costs		8.9%	\$101,448		
On a lower yield the average cost per lot increases as many of the costs are fixed or include a level of set-up that is similar whether the yield is higher or lower. Hence the objective of seeking to optimise the development potential from each site.										

## Appendix C – 14 Cherry Grove as a standalone project

### 1. Overview

One of several early projects utilised as a case study for the purposes of this report. That is, 14 Cherry Grove Taumarunui, whereby a base-line proposal with land-use of 70%, yields 6 units.

An 80% yield (7 units) was also tested and formed the basis of discussion at the Council workshop (held 24<sup>th</sup> June 2020) whilst the overall commercial viability is enhanced, the overall urban design and amenity became challenging. Any scenario below 70% land use, becomes marginal due to loss of income relative to the costs of development. A smaller number of larger homes carries a comparable cost structure, but the per unit 'fair-value' sales realisation becomes unrealistic. Hence development options feature a mix of 2 bed and 1 bed units, with flexibility on how many of either are delivered.

As the CIP house construction underwrite was not approved, to facilitate new home construction and fit out, Council will need to borrow and or partner with other providers.

In terms of kick starting the project with 14 Cherry Grove, and assuming a progress build contract for dwelling construction is entered into by Council, and no early on-sales e.g. to Kāinga Ora, then Council will need to budget interest on the \$1.4m forecast construction cost as it is drawn down over a period of around 16-18 weeks.

Upon completion and once tenanted, then the annualised net income (rent less direct operating costs) is forecast to be cash flow positive, before construction finance. At current borrowing rates, the net income, and rates generated cover construction financing.

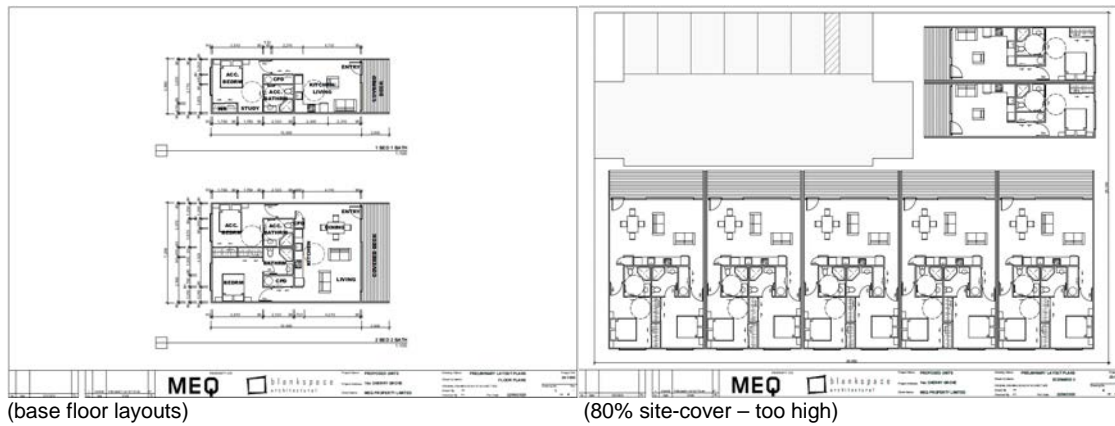
			yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10	
<b>RDC facilitate direct investment to re-configure - pilot project</b>	Scenario 2 - yield = 6		Assume completed										
<b>Stock held</b>			6	6	6	6	6	6	6	6	6	6	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Income stream (revised rental stream)	100.0%	1	\$1,001.70	\$92.87	\$94.26	\$95.67	\$97.11	\$98.57	\$100.54	\$102.55	\$104.60	\$106.70	\$108.83
Vacancy allowance (max 1 week pa)			(\$19.26)	(\$1.79)	(\$1.81)	(\$1.84)	(\$1.87)	(\$1.90)	(\$1.93)	(\$1.97)	(\$2.01)	(\$2.05)	(\$2.09)
Portion of additional FTE (1 FTE per 30)			(\$118.17)	(\$10.80)	(\$11.07)	(\$11.35)	(\$11.63)	(\$11.92)	(\$12.04)	(\$12.16)	(\$12.28)	(\$12.40)	(\$12.52)
Routine maintenance - proactive spend/sinking fund, rises after 5 yrs.			(\$228.47)	(\$13.50)	(\$13.84)	(\$14.19)	(\$14.54)	(\$14.90)	(\$31.50)	(\$31.50)	(\$31.50)	(\$31.50)	(\$31.50)
Replacement of depreciable F&F in dwelling - contract 5 yr. warranty			(\$37.75)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$7.55)	(\$7.55)	(\$7.55)	(\$7.55)	(\$7.55)
Minor repairs / damage / shared yard			(\$97.96)	(\$6.84)	(\$7.01)	(\$7.19)	(\$7.37)	(\$7.55)	(\$12.40)	(\$12.40)	(\$12.40)	(\$12.40)	(\$12.40)
<b>Depreciation - new housing stock</b>			\$0.00										
Communications & engagement - nominal amount - per project			(\$10.00)	(\$10.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rates (% of capital value - developed land & buildings), indexed @ 1.5% pa			(\$161.32)	(\$15.07)	(\$15.30)	(\$15.53)	(\$15.76)	(\$16.00)	(\$16.24)	(\$16.48)	(\$16.73)	(\$16.98)	(\$17.23)
Insurances			(\$135.69)	(\$12.68)	(\$12.87)	(\$13.06)	(\$13.26)	(\$13.46)	(\$13.66)	(\$13.86)	(\$14.07)	(\$14.28)	(\$14.49)
Other outgoings - provision			(\$1.20)	(\$0.12)	(\$0.12)	(\$0.12)	(\$0.12)	(\$0.12)	(\$0.12)	(\$0.12)	(\$0.12)	(\$0.12)	(\$0.12)
Net cash inflow/(outflow)			\$191.88	\$22.07	\$32.24	\$32.39	\$32.56	\$32.72	\$5.10	\$6.51	\$7.94	\$9.42	\$10.93
	check		true										
<b>Net present value - discounted by WACC</b>	6.5%		\$148.80										

If all properties are to be retained, then past year 10, decisions over sustaining additional debt and funding depreciation would need to be made.

### 2. Concept plan

The base layout for Cherry Grove utilised a mix of 2 bed, 2 bath and 1 bed 1 bath typologies which can be arranged as standalone and or terraces (refer base floor plans below). The rationale is that repeat simple, space efficient designs, bathrooms, kitchens, and doorway designs enable wheelchair access and covered balconies provide extended living spaces, as well as an integration between public and private spaces i.e. good CPTED<sup>1</sup> design.

<sup>1</sup> CPTED, Crime Prevention through environmental design principles.



(base floor layouts)

(80% site-cover – too high)



(70% site-cover and re-oriented to optimise views, sun & provide more amenity – 4 x 2 bed and 2 or 3 single bed terrace)

Servicing to suit the finished floor levels and integrated land use and civils, enables the sites to be ‘build ready’. The ITP then seeks respondents to price from the foundations up, provide variability in materials and construction methodology, over a repeat floor plate that the site analysis will validate and consent.

3. The **conclusions of MEQ Property Ltd.’s modelling** are as follows:

- i. A reconfigured 14 Cherry Grove (currently bare land) site yielding 6 new fit-for purpose dwellings would produce a positive cash-flow from year 1 (i.e. financial year ending June 2022), and a positive NPV over 10 years of circa \$0.150M. That is, rented at current market-affordable rentals (assumed no greater than 80% of full market<sup>2</sup>), fully maintained, sinking fund established. Operating costs include an additional share of tenancy management, rates based on the improved capital value and tenancy communications and relocations.
- ii. The project merits advancement as it will be ‘rates-positive’ and irrespective of current or future ownership or tenure, the 6 new units add an ongoing rates stream to Council.

<sup>2</sup> This assumption is to enable the rent payable to be no more than 30% of the household income, thereby meeting housing affordability criteria, as previously reported.

- iii. CIP funding only for the land development and related costs immediately enables a suite of contracting options over the dwelling construction, where all homes meet Social/Community or Affordable (key worker) criteria, thereby meeting the anticipated terms of the CIP capital grant.
  - iv. The portion of the CIP grant applicable to this specific project is forecast to be:
    - a. land development through to civil works for 6 units of circa<sup>3</sup> \$0.6M which leaves Council to secure funding of the dwelling construction of circa \$1.3M, plus contingency equalling \$1.4M. The total project cost is estimated at circa \$2.0M, before funding and also excluding the market value of Council land.
    - b. On-sale of any units would recover for Council the relevant allocated land value plus any funding and project delivery costs. It is essential that any sales meet the purpose of the Grant.
    - c. Flexibility is provided for example from sales to Key Workers or another Social or accredited CHP meeting the definitions, whilst also increasing the number and diversity of housing options in the Ruapehu District.
  - v. It is likely that a range of funding scenarios will emerge once the ITP is presented to the market, a 'market sounding' process could be run in parallel with formal consultation processes, enabling the CIP mobilisation to continue at pace.
  - vi. The Cherry Grove site also offers the ability to test options and innovation which can then be adapted or replicated once the programme has been formally endorsed and then gains momentum.
4. **Partnering:** In order to facilitate house construction and grow the funds available, cash-flow modelling shows that partnering is the recommended base-line reconfiguration strategy. It is also fundamental to remaining 'rates-neutral'. From a risk management perspective, partnering also enables Council to quarantine risk to land development. As the landowner of the nominated sites, the private sector will generally seek to avoid accepting any inherent land risk (e.g. contamination, servicing capacity, geotechnical), by leading the land development and reconfiguration Council can remove cost and time risk and focus on the viable funding of home construction.

With the CIP Capital Grant for land development, partnering enables council to develop scale early, stimulate the market and add more housing stock for the District.

With land development costs CIP funded, then subject to terms negotiated, then home construction funding may be potentially reduced. E.g. in the Cherry Grove example, with say 2 progress build up-front contracts, a build partner(s) may bring construction finance and therefore the commercial risk can be passed from Council to the private sector. This would require an ongoing programme which the CIP Capital Grant now enables.

This strategy was embedded in the MEQ Property, CIP Business Case. A rolling programme or pipeline of work is also reflected in the proposed terms of the CIP Capital Grant.

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<sup>3</sup> Cost contingency across project sites has been assumed within the overall fund. House construction costs allow for up to \$3,000 per sqm plus GST, which is considered conservative.

## Appendix D – 14 General Background Information

- 1 Demand:** It is difficult to have a clear understanding of the demand profile for social housing across the Ruapehu District. The data from MSD's Housing Register which identifies the number of applicants that are seeking public housing indicates that over a period from March 2018 - March 2020 there has been a rise from 13 to 24 applications for public housing made within the Ruapehu District. This is very small compared to many other District's across NZ.

The Council's own data base of those waiting to access one of the council's social housing units is not reviewed annually. The current picture identifies an increasing need (i.e. more applicants than in the past). There were 48 applicants from 2019 to the first quarter of 2020. However, it is not known how many of these applicants are still needing a home or have found alternative arrangements or moved from the District. At the same time, a telephone conversation in May 2020, with the Manager of Ruapehu's Women's Refuge identified that the biggest challenge for the Refuge is finding a place/home to refer women and children to. Most have 1-2 children. As well the Manager identified the need for more rental accommodation as it is important to have transitional housing. The women being helped need the opportunity to look after a place; pay rent on time and get a reference as a good tenant. One woman that the refuge is helping has been looking for a rental home for 1 year - i.e. the waiting list is long.

By way of background MEQ Property Ltd has considered **trends in community housing demand** and found that:

On a regional basis demand for public housing has increased in all housing regions during the March quarter and compared to March 2019 with the median increase being 45% or 1,028 applicants. The top five increases by percentage in the Housing register compared to March 2019 were East Coast (86% or 1,584 applicants), Waikato (78% or 1,663 applicants), Bay of Plenty (69% or 1,215 applicants), Wellington (49% or 1,869 applicants) and Taranaki (49% or 292 applicants) (source: MHUD).

In terms of the **demographic of increased demand**

Families are no longer the most significant demographic of people being approved for public housing. The largest number of new approvals waiting for homes are singles, many between 24 and 39 and needing small homes or homes formatted for multiple independent adults. The number of new homes being built is not keeping pace with demand, nor is it capable of reformatting the national stock of housing to align with new needs and household compositions.

In the March 2020 quarter supply of public housing (Kāinga Ora and Community Housing providers) increased by 412 units.

- 2. Rental Accommodation:** A review of rental accommodation generally across Ruapehu District by MEQ Property Ltd shows that the rental market over the last 18 months (evidenced by MSD registered bonds) has seen bond lodgements increase from 17 per month to 24 per month with median rentals increasing from \$245 per week to \$265 per week. As well there is anecdotal evidence that there are limited options for key workers (e.g. police, teachers, trades) to find affordable rental and/or homes to buy that are fit for purpose.
- 3. Sales:** Current Ruapehu District property sales values and volumes are unlikely to support new development in the short term, as irrespective of actual cost and quality, comparative sales data does not provide evidence for valuation purposes to support realising fair value of the new build and land development costs. In effect this is a circular argument, unless a 'circuit breaker' action is undertaken. The previous Business Case to support the CIP funding (MEQ report 23<sup>rd</sup> March 2020), noted this requirement, and the strategic approach to reconfiguration outlined in the housing strategy maps a way to achieve a 'circuit breaker'.
- 4. Long term goal:** One of the long-term benefits of reconfiguration and stimulating the housing market is for the Council to realise fair value in land and new buildings, this is a long-term goal, and essential for greater scale in construction, and sales transacted in order to support a rise in valuation and therefore the ability for the open market to finance purchases at fair and not distressed values.

By way of example, the HNZN regeneration of Glenn Innes (later to become Tāmaki Regeneration), initiated a 'circuit breaker' market offering with a mix of Government sponsored builds and open market affordable and full value house sales. As a direct result of the HNZN lead programme, a market which had previously been moribund was transformed into an active and commercially viable market. The sales statistics show that construction of new homes increased from a single digit base per annum in 2015 to some 80 by 2020. And over this period median values heralded a two-fold increase in sale prices by 2020. Also, of note is that the level of restoration,

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repair and renewal of private housing stock in Glenn Innes was almost nil until the regeneration project gained momentum. By comparison the neighbouring suburb of Meadowbank saw a drop in sales value and volume over the same period, while Saint John's saw a modest rise in value (\$75,000 per home) with sales decreasing by 1/3.

Whilst not a precise metric, the same market behaviour has been evidenced in other regeneration projects elsewhere in New Zealand and Australia. On this basis it is estimated that a modest RDC regeneration approach will also take 5 to 7 years before there is a marked and sustainable increase in property values increase in the Ruapehu District to a level that realises value in the regenerated portfolio.