

# RUAPEHU DISTRICT COUNCIL

## Confidential Reports Released into the Public Business

FROM THE MEETING OF RUAPEHU DISTRICT COUNCIL  
ON WEDNESDAY 29 APRIL 2020

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### Item

#### C1 Housing Options for Ruapehu District

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 Options for Ruapehu District	s7(2)(b)(ii) It would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information 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 and attachments have been released into the Public Business through an Official Information Request. The report and attachments have been redacted due to a high level confidential commercial assessment of Council land holdings within central Taumarunui.

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### Minutes

#### C1 Housing Options for Ruapehu District

- 1 That the report on Housing Options for Ruapehu be received.
  - 2 That the Chief Executive be asked to prepare material on Council's social housing portfolio for the purpose of being ready to consult in June 2020 with the community on future options for improving the delivery of both social and affordable housing across the District, if the social and affordable housing application to CIP is successful.
  - 3 That the Council is further updated at its 20 May 2020 meeting on the outcome of the CIP application and options for consultation with the community.
  - 4 That this resolution is not recorded in the Public Business Minutes of this meeting.
  - 5 That this report is not released as publicly available information.
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**Report to: Council****Meeting Date:** 29 April 2020**Subject:** Housing Options For Ruapehu**Purpose of Report**

- 1.1 The purpose of this report is to update the Council on the development of a housing delivery programme with the first initiative being to submit an application to Crown Infrastructure Partners (CIP) to enable the delivery of more social and affordable housing in Taumarunui. This is in keeping with the resolutions of Council at its 8 April 2020 meeting.
- 1.2 For a summary of the social and affordable housing proposal submitted to CIP see Attachment 1. Refer to Attachment 2 for the full proposal.

**Significance and Engagement****2.1 SIGNIFICANCE**

This report does not trigger the Significance and Engagement Policy but the project itself will (see section 2.2 below).

**2.2 ENGAGEMENT**

- 2.2.1 The social and affordable housing project was discussed, in confidence, by the Council's Chief Executive with Ngāti Hāua representatives and the attached letter of support from the Trust was submitted to CIP with the social and affordable housing project application.
- 2.2.2 At the same time, the Council identified in its covering letter from Mayor Cameron to CIP that of the 12 CIP applications submitted by Council, the social and affordable housing project was the only one that has not yet been through the necessary public consultation process. This will be required as the proposal itself triggers the Council's Significance and Engagement Policy including being of 'community interest' and a change in the level of service.
- 2.2.3 The timing of this consultation will be critical to ensure that delivery of the first stage of the project can be met (i.e. vacant land [REDACTED] is ready for site works by 31 October 2020). This is consistent with the proposal being submitted as a "category B" project. A category B project includes ones "which have a high expectation of commencing the construction phase within the next six months (by 31 October 2020)".
- 2.2.4 At this stage, CIP has advised that any additional information from CIP applicants will be required by 27 April 2020. It is therefore anticipated that decisions by CIP are likely to occur during May 2020. In this regard, it is recommended that Council start preparing consultation material in May 2020 on future options for the Council's social and housing portfolio across the District so in the event the Council's CIP application is successful, consultation that meets the necessary statutory tests is ready to commence in June 2020. This would align with a process to select a builder partner through an expression of interest/tender process that should commence in June 2020 if the CIP application is successful.
- 2.2.5 Any public consultation will need to be adapted to be in accordance with the COVID-19 Alert level in place.

## Background and Discussion

- 3.1 A draft business case was prepared by MEQ Property Ltd to assess the development of community/social and affordable housing in Taumarunui using a group of Council landholdings [REDACTED] to enable an application for funding for a housing project to be submitted to Crown Infrastructure Partners.
- 3.2 For the purpose of identifying potential CIP Capital Grants and Underwriting sought by Council through the CIP process, and to “kick start” a rolling housing programme, the draft business case compared two options, and modelled the Net Present Value (NPV) cost to Council over a 25 year future lifecycle of the housing stock. The first option considered retaining the current Council housing stock in central Taumarunui, combined with a base level refurbishment programme. The second option evaluated establishing new dwellings on vacant land and reconfiguring the existing housing stock to be ‘fit-for-purpose’ and meet current and unmet demand. In brief, the business case identified the following:
- 3.2.1 First option – retain and refurbish ‘as-is’.**
- (a) Based on the average age, condition and configuration, the long-term outlook is an increase in maintenance and potential need for major upgrades
  - (b) Projecting forward even a modest level of cost increase and continued low rental growth, exacerbates the ability to hold and operate as ‘rates-neutral’
  - (c) Noting that current rental income, is on average, lower than MSD minimum rentals
  - (d) To increase occupancy a higher level of spend on reconfiguration would also be required
- 3.2.2 Second option – reconfiguration and upgrade programme.**
- (a) This option tested the merits of a rolling programme of building a new ‘fit-for-purpose’ portfolio, including sufficient stock to replace and increase Council owned and operated Community Housing Stock
  - (b) Scope included providing an opportunity for affordable or key worker housing for the open market
  - (c) New product could be designed to meet the profile of unmet demand, and warrant a higher rental, whilst still being no more than 30% of gross household income
  - (d) Funding the reconfiguration of land and the construction of new homes requires a significant capital injection to achieve scale, pace and a substantial lift in income.
  - (e) The Business Case has modelled the upfront capital and additional operating costs required to achieve a modest reconfiguration programme and staging plan, including professional fees, project management and increased staffing costs
  - (f) A key element of success is being able to draw funding to match the project set-up and redevelopment costs
  - (g) With CIP funding (as applied for), the resultant programme (if approved), would be cash flow positive for the RDC and support a local apprentice and employment scheme with substantial social, economic, and community benefit to the Region.
- 3.3 At the time of writing the draft business case is being refined further to take account of additional options including the option for mixed tenure and a potential 30% sell down. The business case will be completed the week commencing 20 April 2020 and the Council will be updated on the outcomes of further scenario testing at its meeting. Sean Bignell of MEQ Property Ltd will be remotely attending the meeting to explain the business case analysis and answer any questions.

3.4 The social and affordable CIP application does not commit the Council to a particular option at this stage and there is flexibility to amend details as the draft business case is further developed. The draft business case however was necessary to demonstrate there is a robust case for moving forward with the project and to help determine the level of assistance being sought from CIP.

### 3.5 **BASED ON THE DRAFT BUSINESS CASE THE FOLLOWING ASSISTANCE HAS BEEN SOUGHT FROM CIP:**

#### 3.5.1 **Financial levers**

1. CIP Capital grant – provide a capital grant to Ruapehu District Council, with an agreed sum **\$7.78M** drawn down in tranches to match an agreed Housing Options programme, extending over an agreed draw-down period which matches formation and roll-out of the overall programme cash-flow. There is no interest and no repayment obligations provided that the funds are applied in accordance with the grant terms and that properties constructed are retained for Social or Community housing purposes<sup>1</sup> for a 25-year term. This work includes further land use investigation to confirm land use, development potential and scope the enabling works.
2. CIP Construction underwrite / builder progress payment programme – provide a funding facility of up to **\$15.49M**, for construction only (i.e. no land or any civil works), administered under a 3910:2013 Build only form of contract, progress paid on agreed works as validated by a RDC appointed Engineer to the contract, each build to be completed within 6 months<sup>2</sup> or immediately fully repayable. For each \$1M (incl. GST) of construction works contracted in this manner, the Builder(s) must agree to the RDC local employment and apprentice programme (yet to be developed). NOTE: Where the stock is retained by for Social or Community Housing and or transitioned for Affordable (Keyworker) housing, then there is no interest or repayment due. Where stock is sold to the open market, then the unamortised<sup>3</sup> portion of the underwrite is repayable to the Crown.

#### 3.5.2 **Non-financial levers**

1. Develop an accelerated construction industry apprentice scheme.
2. Deploy an App based H&S and inspections tool to all Territorial Councils.
3. Provision of masterplan, urban design and resource consenting skills from Kāinga Ora.

## Discussion

### 4.1 **SOCIAL IMPACT ANALYSIS**

All applications made to CIP needed to demonstrate that there are clear public benefits associated with the proposal. These are summarised in Attachment 1. As discussed in section 2.2 above consultation will be required if the application gets approved by CIP as the significance and engagement policy is triggered by the project. This will assist the social impact assessment of the project going forward.

<sup>1</sup> Note that the provider can change but must in all cases be one of the following set (Ruapehu District Council, Kainga Ora, Any accredited Community Housing Provider)

<sup>2</sup> This assumes Covid19 Level 3 status or below, any Level 4 lockdown is an automatic time extension to the 3901:2013 contract.

<sup>3</sup> The underwrite is amortised over a period of 10 years. Any stock sold for Affordable (Keyworker) ownership (definition & retention period to be agreed), is exempt from repaying the underwrite.

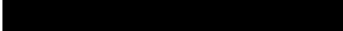
**Suggested Resolution(s)**

- 1 That the report on Housing Options for Ruapehu be received.
- 2 That the Chief Executive be asked to prepare material on Council's social housing portfolio for the purpose of being ready to consult in June 2020 with the community on future options for improving the delivery of both social and affordable housing across the District, if the social and affordable housing application to CIP is successful.
- 3 That the Council is further updated at its 20 May 2020 meeting on the outcome of the CIP application and options for consultation with the community.
- 4 That this resolution is not recorded in the Public Business Minutes of this meeting.
- 5 That this report is not released as publicly available information.

Ree Anderson, Strategy Consultant; Sean Bignell, Director MEQ Property Ltd

Email address for point of contact: ree@reeanderson.co.nz

## Attachments:

- 1 Confidential Summary of Social and Housing Project submitted with Mayoral letter to CIP
- 2 Full Social and Housing Proposal submitted to CIP
- 3 

## MANAKI - A WELL SERVED RESILIENT COMMUNITY

### SOCIAL AND AFFORDABLE HOUSING TAUMARUNUI

Cost \$23.3 million

Employment opportunity: 130 FTE

Start: 31 Oct 2020

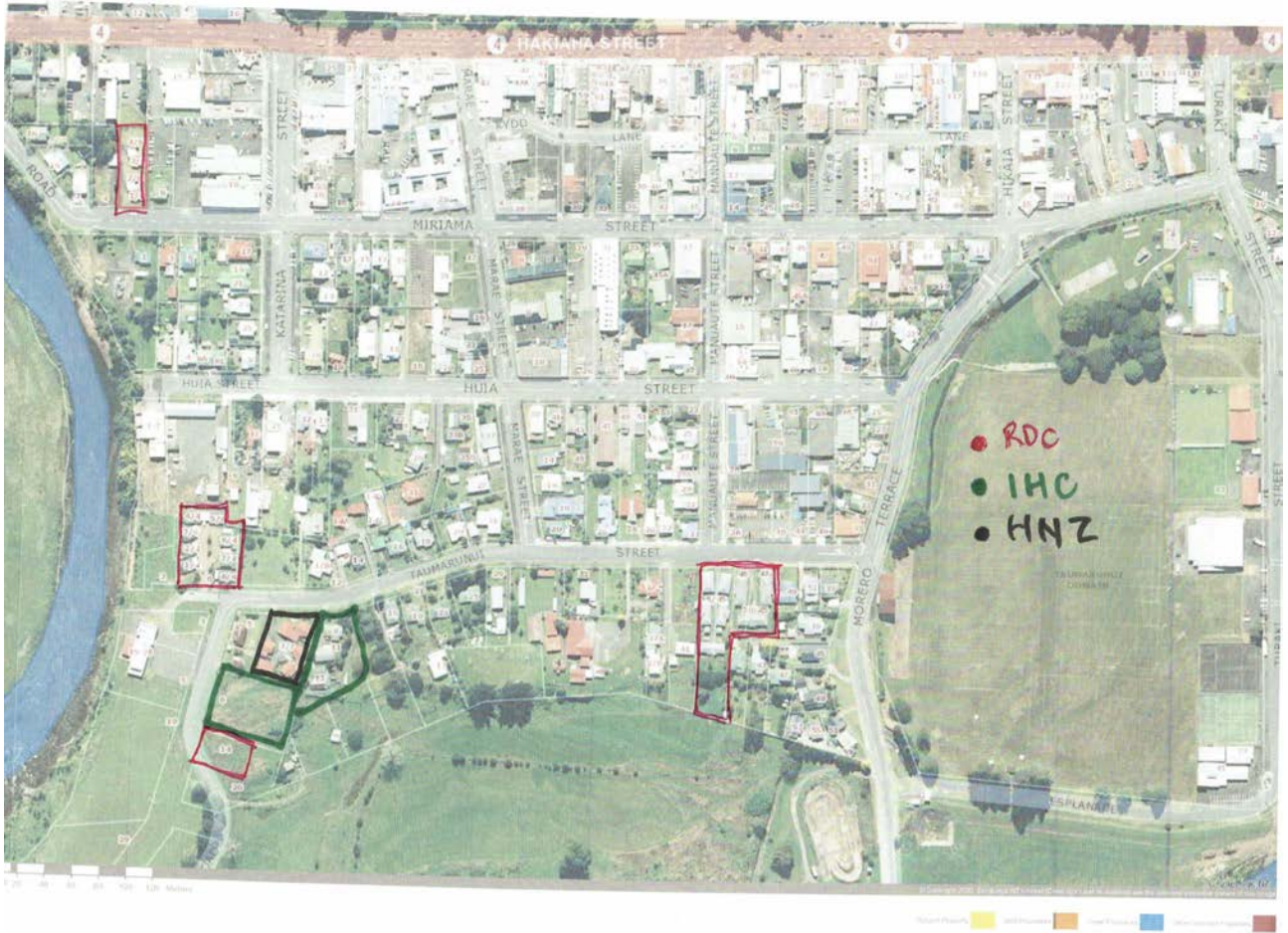
This project uses Council land holdings to facilitate and stimulate social/community and affordable (key worker) housing delivery and the economy in Ruapehu, working in partnership with others (initial conversations have occurred with Kāinga Ora, Accessible Properties, and MHUD) and to benefit from central government's willingness to invest in post Covid19 "shovel ready" projects through application to Crown Infrastructure Partners.

A housing project has been chosen due to the relatively high FTE ratios compared to tourism and hospitality and an ongoing upskill of current and future Ruapehu District residents is proposed as a requirement of the partnering arrangements. Therefore, providing direct public and economic benefit to the Ruapehu District.

This project is a result of two work streams that had been activated ahead of the Covid19 event and as such, with CIP funding, it is considered viable to initiate an initial project by 31st October 2020, that is a category B 'shovel ready' project. And leads to a larger and ongoing programme for the Ruapehu District.

The quick start to the Housing Options programme centres around existing land, some vacant and some to be reconfigured, which has been assessed for viability and provides enough scale to attract partners to design, develop, construct and maintain, including resources from the Ruapehu District Council (Map attached below) In brief, the public benefits include:

- sustaining Ruapehu's GDP (\$532m in the year to March 2018 up 1.7% from 2017 compared to NZ's GDP of 3.2% in the same period), and sustaining local employment which grew by 2.2% in the year to March 2018 thereby contributing to the local and region's economy;
- the provision of additional 'fit for purpose' housing to meet the current oversubscribed demand and need for council's older persons' social housing (83 older persons on the waiting list for council owned social housing - April 2020)
- The provision of affordable homes for key workers (including those in manufacturing & agriculture) and stimulation of the housing market. While there has been a strong growth in house prices in Taumarunui - the town in which the project is based, the house prices stem from a low base level, so price growth in itself is not sufficient to stimulate the market; the build margins are too low to attract new builders into the market -this project will encourage the participation of scale builders to enter the housing market in Ruapehu
- Provision of homes for workers in tourism (80% of tourists in Ruapehu are domestic tourists and this needs to grow with current restrictions on overseas travel to sustain local employment; the service industry accounted for 36% of Ruapehu's GDP in the year to March 2018 with 'Arts and Recreation Services' making the largest contribution to Ruapehu District's growth. The industry grew by 24% over the 2018 year)
- Thus, both retaining and attracting people to the Ruapehu District is the primary public benefit. As a district heavily reliant upon visitors and tourism to sustain its economy, a replacement project, such as this one is imperative for ongoing economic prosperity. (Source of data: 2018 Annual Economic Profile Ruapehu District-Infometrics).



# ‘Shovel ready’ Infrastructure Projects: Project Information Form

## About this Project Information Form

The Government is seeking to identify ‘shovel ready’ infrastructure projects from the Public and certain Private Infrastructure sector participants that have been impacted by COVID 19.

Ministers have advised that they wish to understand the availability, benefits, geographical spread and scale of ‘shovel ready’ projects in New Zealand. These projects will be considered in the context of any potential Government response to support the construction industry, and to provide certainty on a pipeline of projects to be commenced or re-commenced, once the COVID 19 Response Level is suitable for construction to proceed.

The Infrastructure Industry Reference Group, chaired by Mark Binns, is leading this work at the request of Ministers, and is supported by Crown Infrastructure Partners Limited (CIP).

CIP is now seeking information using this Project Information Form from relevant industry participants for projects/programmes<sup>1</sup> that may be suitable for potential Government support. The types of projects we have been asked to consider is outlined in Mark Binns’ letter dated 25 March 2020.

CIP has prepared Project Information Guidelines which outline the approach CIP will take in reviewing and categorising the project information it receives (Guidelines).

Please submit one form for each project that you consider meets the criteria set out in the Guidelines. If you have previously provided this information in another format and/or as part of a previous process feel free to submit it in that format and provide cross-references in this form.

Please provide this information by 5 pm on Tuesday 14 April 2020.

As an initial task the Infrastructure Industry Reference Group has been asked to prepare a report on infrastructure projects/programmes that are ready for construction and could, if the Government deemed it appropriate, be deployed as part of a stimulatory package. It should be noted that the full impact of COVID 19 on the economy will not be known for some time, and the Government’s decision to accelerate any construction-related spend will be determined by its assessment of priorities at the time. This information is being sought in good faith, but no undertaking can be made that the criteria or any other considerations will not change or that any projects coming forward from the Reference Group will be accelerated, or any of the Reference Group’s recommendations adopted. This situation we all find ourselves in is truly dynamic.

*This document relates to the gathering of project information only and is not a Notice of Procurement. It does not form part of any procurement process. It does not commit the Government or CIP to take any further steps, or provide any financial or other assistance, in connection with any information in response to this document or the projects to which that information relates.*

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<sup>1</sup> We refer to “projects” throughout. This term includes programmes of work in all cases.



## Section 1: Key Information [Criteria 2 and 3]

1. Project Title: Social and affordable (key worker) housing for Ruapehu District – quick start

2. Please provide your details:

<b>Organisation Name:</b>	Ruapehu District Council		
<b>Entity Type:</b>	Territorial Local Authority		
<b>Contact Name and Role:</b>	Clive Manley – Chief Executive Officer		
<b>Email Address:</b>	<a href="mailto:clive.manley@ruapehudc.govt.nz">clive.manley@ruapehudc.govt.nz</a>	<b>Telephone:</b>	+64 21 493 807

3. Please provide a very brief description of the infrastructure project:

*[Briefly outline the project and confirm that it is an infrastructure project that provides a clear public benefit. You can include links to / sources of other project information]*

This project uses Council land holdings to facilitate and stimulate social/community and affordable (key worker) housing delivery and the economy in Ruapehu, working in partnership with others (initial conversations have occurred with Kāinga Ora, Accessible Properties, and MHUD) and to benefit from central government’s willingness to invest in post Covid19 “shovel ready” projects through application to Crown Infrastructure Partners.

A housing project has been chosen due to the relatively high FTE ratios and an ongoing upskill of current and future Ruapehu District residents is proposed as a requirement of the partnering arrangements. Therefore, providing direct public and economic benefit to the Ruapehu District.

This project is a result of two workstreams that had been activated ahead of the Covid19 event and as such, with CIP funding, it is considered viable to initiate an initial project by 31<sup>st</sup> October 2020, that is a category B ‘shovel ready’ project. And leads to a larger and ongoing programme for the Ruapehu District.

The quick start to the Housing Options programme centres around existing land, some vacant and some to be reconfigured, which has been assessed for viability and provides enough scale to attract partners to design, develop, construct and maintain, including resources from the Ruapehu District Council (Map attached below)

In brief, the public benefits include:

- sustaining Ruapehu’s GDP (\$532m in the year to March 2018 up 1.7% from 2017 compared to NZ’s GDP of 3.2% in the same period), and sustaining local employment which grew by 2.2% in the year to March 2018 thereby contributing to the local and region’s economy,
- the provision of additional ‘fit for purpose’ housing to meet the current oversubscribed demand and need for council’s older persons’ social housing (83 older persons on the waiting list for council owned social housing - April 2020),
- The provision of affordable homes for key workers (including those in manufacturing & agriculture) and stimulation of the housing market. While there has been a strong growth in house prices in Tamarunui - the town in which the project is based, the house prices stem from a low base level, so price growth in itself is not sufficient to stimulate the market; the build margins are too low to attract new builders into the market -this project will encourage the participation of scale builders to enter the housing market in Ruapehu,
- Provision of homes for workers in tourism (80% of tourists in Ruapehu are domestic tourists and this needs to grow with current restrictions on overseas travel to sustain local employment; the service industry accounted for 36% of Ruapehu’s GDP in the year to March 2018 with ‘Arts and Recreation Services’ making the largest contribution to Ruapehu District’s growth. The industry grew by 24% over the 2018 year), and
- Thus, both retaining and attracting people to the Ruapehu District is the primary public benefit. As a district heavily reliant upon visitors and tourism to sustain its economy, a replacement project, such as this

one is imperative for ongoing economic prosperity. (Source of data: 2018 Annual Economic Profile Ruapehu District-Infometrics)

Confidential map- Council landholdings & potential partner's landholdings -Taurarunui Housing Project



4. This project will be located in which Territorial Authority: Ruapehu District

5. Please confirm the project sector, category and type of infrastructure:

Project Sector	<input checked="" type="checkbox"/>
Accommodation	<input checked="" type="checkbox"/>
Agriculture, Horticulture and Forestry	<input type="checkbox"/>
Alcohol Availability	<input type="checkbox"/>
Bioscience and Biotechnology	<input type="checkbox"/>
Construction	<input checked="" type="checkbox"/>
Energy	<input type="checkbox"/>
Film and Television	<input type="checkbox"/>
Imports and Exports	<input type="checkbox"/>
Information communications and technology	<input type="checkbox"/>
Manufacturing and Production	<input type="checkbox"/>
Retail Trade	<input type="checkbox"/>
Tourism	<input type="checkbox"/>
Wholesale Trade	<input type="checkbox"/>
Central Government	<input type="checkbox"/>
Local Government	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>

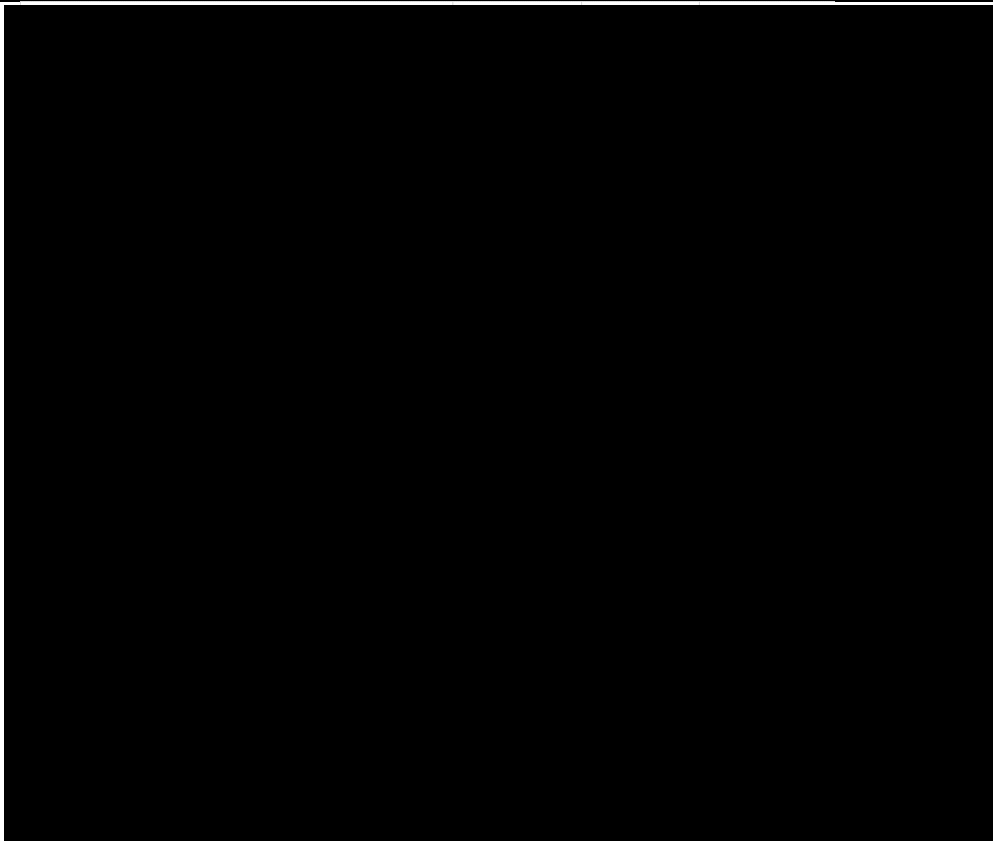
Project Categories	<input checked="" type="checkbox"/>
Three waters	<input type="checkbox"/>
Transport	<input type="checkbox"/>
Buildings and Structures	<input checked="" type="checkbox"/>
Other infrastructure	<input checked="" type="checkbox"/>

Project Type	<input checked="" type="checkbox"/>
Critical infrastructure	<input checked="" type="checkbox"/>
New infrastructure	<input checked="" type="checkbox"/>
Replacement/refurbished infrastructure	<input checked="" type="checkbox"/>
Repurposed infrastructure	<input type="checkbox"/>

6. What is the total cost of the project (NZ\$M): \$23.27M

7. Provide a high-level breakdown of this spend (e.g. construction costs, professional fees, land, other etc.):

Project name: Social and Affordable (key worker) Housing for Ruapehu District



**please note that the above information is considered “COMMERICAL IN CONFIDENCE”**

8. Briefly outline the value the project will deliver in terms of employment contribution.

*[Briefly describe the employment contribution the project will make (whether directly or within the supply chain). Further information can be provided in section 3]*

As outlined in section 3, (Q 16), the direct Construction sector employment plus Construction related services for this project is calculated at circa **130.0FTE**, for every \$10M of direct construction project spend. As such this project is forecast to support circa 303FTE over a 4 to 5-year period.

There will also be an economic multiplier effect from sustaining this level of employment in the Ruapehu District. For every \$10M of Construction sector spend, the direct and associated services value is a circa 27% increase from the FTE this sector represented in the 2018 (Stats NZ census data), which at that time contributed 487.0 FTE and 6 % of the Ruapehu Region’s total GDP.

The Housing Options programme will target housing specifically designed to cater for:

- Unmet demand on social/community housing waiting lists. Currently 24 families/individuals are on the Kāinga Ora list and 83 on the RDC list (mostly for the 1 and 2 bedroom units with bed sits being least desirable)
- Key worker housing (e.g. construction, teachers, police, essential services and other local services)
- Provide options to access housing (e.g. pricing diversity, scope for dual occupancy or live in carer)
- Accessible and or transitional retirement (e.g. at least one access is level entry, all bathrooms support accessible living, a 1.5m turning circle for wheelchairs, all doors and bench heights accommodate wheelchair access)
- Be repeatable, cost and time effective to construct

The programme also seeks to partner with a range of existing parties so that greater scale (therefore

employment) will follow and be coupled with requirements around offering apprenticeships / priority placement for current and future residents to participate in the delivery.

An increased number of fit for purpose homes will also add jobs through associated services and as completed homes, provide opportunities to those who may seek to relocate to regional areas to do so.

In 2018 (Stats. NZ) reported that 5.9 % of Ruapehu Region’s GDP derived from tourist services being; accommodation and food, arts and recreation (2.8% and 3.1% respectively). Arts and recreation have been the fastest growing sector of the Region’s GDP, with annualised growth around 24% (accommodation and food being in slight decline) prior to Covid19. Based on the 2018 (Stats. Data from 2018) and assuming constant or potentially higher, the Covid19 event will put at risk around \$31.5M of revenue earned within the Ruapehu District. This is a major economic incident.

Within the District, population growth measured at the last census (Stats. NZ 2018) was minimal at 0.4 % compared to the national average growth of 1.9% and Auckland’s 2.6%. Anecdotally, growth since 2018 has remained minimal or neutral at best.

At the same time, Regional business activity shrank by (0.7%) whilst nationally, growing by it grew by +0.7%.

Accordingly, the boost a housing initiative would have within the Ruapehu District is very significant. The ability to quickly re-establish lost earnings from tourism and associated services is anticipated to be very slow in the absence of alternative sources of employment and additional and fit-for-purpose housing.

By way of further example, Auckland’s strong GDP growth (2.2%, Stats. NZ 2018) is fuelled by construction growth of 13.9%, followed by tourism at 7.8%.

9. Briefly describe how the project is currently/ intended to be funded:

The overall workstream on Housing Options for the Ruapehu District is currently advancing through formal assessment and validation of viability. An initial study and then a further high-level commercial assessment of Council land holdings within central Taumarunui had been undertaken by MEQ Property Limited (23<sup>rd</sup> March 2020). This work arrived at the view that there was sufficient land held (vacant and or suitable for redevelopment or re-purposing) to undertake a market-based procurement via an Invitation to Partner (ITP). This work had not been concluded or an ITP advanced prior to the Covid19 event.

The opportunity now seen is to fast track the initial stages of the Housing Options programme with funding made available to cover:

Such funding would fall into three broad categories:

**CIP funding**

1. Capital grant to Ruapehu District Council – applied as follows:
  - a. Master-planning, procurement, design & compliance, site works & servicing, 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.
  - b. Construction and fitout of new homes where land continues to be retained and operated as Community Housing<sup>2</sup>. The grant is a one-off capital sum and not repayable unless the house & land is sold within 25 years of construction<sup>3</sup>.

<sup>2</sup> This includes Ruapehu District Council and IHC, both own and operating Community Housing in the Ruapehu District.

<sup>3</sup> 25 years is the assumed optimal operating lifespan of the dwelling, with an acceptable maintenance regime.

2. Construction underwrite fund - where new homes are constructed for sale to the open market (note could also be in leased land), then a fund is made available to progress pay the builder(s) from the foundations up to practical completion, noting that site servicing and reconfiguration is included in the RDC works and funded by a capital grant.

**Whole of Government funding**

3. Kāinga Ora / MHUD funding contributions. Discussions have recently been held with Kāinga Ora and as there are existing State Homes in the RDC, part of the collaborative partnering arrangement is likely to include works funded by Kāinga Ora which will add momentum and scale, more employment, and also assist with unmet demand in the Ruapehu District.

The CIP funding requirements have been modelled as part of this submission, based upon a case study involving Council land holdings in Taumarunui. These works can be activated as a Category B project, and the wider programme would follow on to enable continuity of employment and also to manage the long-term planning and consultation requirements Ruapehu District Council.

**For clarity, the overall programme funding is the level being sought in this CIP application.**

10. Has this project previously applied for funding with any part of Government? Yes:  No:

- If Yes, please describe which part of government (i.e. PGF, NZTA FAR etc.), the outcome of the discussions and who such discussions were with (what Ministry and official).

## Section 2: Construction Readiness [Criteria 1]

11. Please briefly explain the status of the project including confirmation that the project will fall into one of the three categories of readiness (see 12 below).

*[Briefly describe project status]*

Taumarunui cluster – ‘quick start’ Phase 1 – An initial Business Case has been completed following two prior advisory reports. The RDC Executive and staff have reviewed the practicalities of advancing the planning and design work to enable a first stage (vacant land) to be ready for site works by 31<sup>st</sup> October. This will also require an invited tender procurement process to secure suitable resources for delivery, through to building capacity. These processes will be run in parallel and first tracked through the Council’s own planning and consenting team.

Wider programme – Phase 2 – The ‘quick start’ project will act as a template for a wider programme and involve public consultation and also scope for additional land (vacant or for redevelopment) to be considered and potentially scale up the wider programme. This would fall into Category C and be planned to follow on from Phase 1.

12. Confirm which of the following categories the project best falls into.

Status	✓	Further commentary (briefly set out barriers to commencement)
A. Projects which currently are (or were) in the construction phase but have been put on hold due to COVID 19 and are likely not to progress, or to progress at a much slower rate or scale/scope, if not supported post COVID 19	<input type="checkbox"/>	
B. Projects which have a high expectation of commencing the construction phase within the next six months (by 31 October 2020), but are unlikely to do so due to COVID 19	<input checked="" type="checkbox"/>	<i>A Phase 1 of the Housing Options for Ruapehu has been identified, including scope, likely investment, and methodology. This will be a priority project for the RDC to sustain economic and social prosperity. Procurement of delivery capacity and collaboration over outcomes will be critical. Potentially both Kāinga Ora and other partner resources can be harnessed to ensure the timeframes are met.</i>
C. Projects which could have been expected to commence the construction phase within the next 12 months (by 30 May 2021), but are unlikely to do so due to COVID 19	<input type="checkbox"/>	<i>[Insert your relevant commentary here]</i>

13. Confirm the status of key milestones [RDC commentary highlighted – would be run as overlapping processes]

Status		✓	Expected Date
Procurement	<i>Suitable tender complete [Delivery partners will need to be part of a collaborative design process to de-risk for RDC &amp; move at pace]</i>	<input type="checkbox"/>	30/6/2020
	<i>Tender evaluation in progress</i>	<input type="checkbox"/>	
	<i>Request for Tender in the Market</i>	<input type="checkbox"/>	
	<i>About to put out a Request for Tender to the market [refer above commentary, to meet the time frames, a select tender process is envisaged]</i>	✓	31/5/2020
Detailed Design	<i>Detailed Design Complete [Site works and house design work to run in parallel, complete end July, to enable 2 months to validate &amp; consent]</i>	<input type="checkbox"/>	31/7/2020
	<i>Detailed Design Underway</i>	<input type="checkbox"/>	
	<i>Detailed Design to commence</i>	✓	30/6/2020
Designations/Consents	<i>Approved [RDC to complete by end Sept to enable site handover end October 2020]</i>	<input type="checkbox"/>	30/9/2020
	<i>Lodged</i>	<input type="checkbox"/>	
	<i>In preparation</i>	<input type="checkbox"/>	
Land Acquired	<i>Yes [Phase 1 existing land only, Phase 2 can expand as Partners agree to do so]</i>	✓	
	<i>Being negotiated under PWA (please indicate stage below)</i>	<input type="checkbox"/>	
	<i>Has not commenced</i>	<input type="checkbox"/>	
Business Case or Investment Case	<i>Approved [Assume CIP funding in place, then can advance to sign-off Phase 1 and advance; consenting, detailed design &amp; procurement]</i>	<input type="checkbox"/>	15/5/2020
	<i>Draft</i>	✓	13/4/2020
	<i>Underway</i>	<input type="checkbox"/>	
	<i>None</i>	<input type="checkbox"/>	

14. Briefly outline any other comments on the key project timetable or key milestones

*[Please briefly cover:*

- *Key barriers / risks to the project being 'shovel ready'*  
**With Government support, Phase 2 could be 'shovel ready' end October 2020**
- *Expected timeframes and processes for acquiring necessary resource consents*  
**Refer above table**
- *Any other additional information as required above*
- *Expected construction completion date.]*  
**First site is vacant land, site works Nov – Dec 2020, House construction starts post-Christmas break, modest size homes assume 18-week max build time in clusters of 6-10, first completions early May 2021, with rolling programme of ongoing builds. Ideal programme allowing for staging and tenancy relocations it forecast to run over 4-5 years of construction activity, with a sustained economic stimulus for the District.**



### Section 3: Overall Benefits and Risks [Criteria 4]

Please advise at a high level whether a project brings real value (in an economic, social and/or environmental sense) to New Zealand as a whole or the region in which it is located in line with Treasury’s Living Standards Framework<sup>4</sup> and Sustainable Development Goals<sup>5</sup>. Please take into account, where relevant, the draft 2021 Government Policy Statement on land transport, available at <https://www.transport.govt.nz/multi-modal/keystrategiesandplans/gpsonlandtransportfunding/gps-2021/>, and the priorities that it establishes.

15. Briefly outline the social, environmental and economic benefits of the project to the local region and New Zealand and overall value for money.

*[Include reference to any Business Case/Investment Case or an assessment that can demonstrate any contribution to the Government’s wider goals with respect to social, environmental and economic objectives and value for money]*

The Housing Options for Ruapehu District is fundamental to sustain the social, environmental, and economic viability of the District and meets and or contributes positively to the Governments wider goals in the following ways:

- Social inclusion – provide access to a diversity of housing, providing accessible housing (e.g. where redeveloped homes support accessible living and aging in place), and more affordable living options
- Connectivity – enhance ‘clusters of housing’ with improved amenity, fit for purpose and outdoor living spaces
- Environmental – part of the design brief will be materials used, control of construction waste, potential relocation and re-use of some structures that are not fit for purpose in their current configuration or location
- Direct employment metrics – the recently adopted Procurement Strategy for Ruapehu prioritises social procurement models where local employment including apprentice schemes will form part of the evaluation criteria.
- Economic- aligns to Central Government’s Covid 19 Tourism transformation plan with a focus in the short term on domestic tourism

16. What is the expected contribution to local/ national employment?

*[Provide estimated number of jobs. Cross refer to question 8 as required]*

Based on the Statistics NZ (2008) survey of direct FTE from Construction, which found that every \$100,000 of construction spend generates 1 FTE. Then the equivalent number arising from this particular project is:

For every \$10.0M of Project cost, then  $\$10.0 \text{ M} / \$100,000 = 100 \text{ FTE}$ , and

Applying the ratio of Construction related services to Construction FTE from the PWC report 2016 (pg. 3), then a further 30% or 30.0FTE would be indirectly employed as a result of this project alone,

that is circa 130.0FTE. On project value this project will support circa 303FTE over a 4-5-year period.

The supply chain and multiplier FTE are difficult to estimate. However as highlighted from the following extract from the PWC report to the Construction Strategy Group and Construction Industry Council BRANZ:

*The sector has one of the highest multiplier impacts of any sector in the economy. This is because of the major impact that construction spending has in stimulating other sectors in its supply chain and through its workers spending their incomes.* (Sept. 2016 updated report, Executive summary pg. 1v)

From the same report, it is also noted that (ibid, pg. ix):

*Supporting the sector means that any gains in underlying productivity are not lost when the sector encounters a*

<sup>4</sup> <https://treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework>

<sup>5</sup> <https://www.mfat.govt.nz/en/peace-rights-and-security/work-with-the-un-and-other-partners/new-zealand-and-the-sustainable-development-goals-sdgs/>

*bust. Over the long-term, gains in productivity and multiplier effects would compound to produce even larger benefits for New Zealand.* (ibid, pg. ix)

The Ruepehu/Central Plateau build industry is small and mostly operates on a bespoke build model. A project of this size can attract scale residential build companies with the expertise, training capabilities and purchasing power to build cost effectively and grow the local skill and employment base.

17. What are the risks associated with the project? Each risk should be ranked as high, medium or low and include a short explanation as to why it was given that risk rating.

Risk	Low/ Med/ High	Further commentary on risk
A. The risk of the project not commencing within the advised timescale	Med	The project needs to be fast-tracked internally to achieve this start, but the positive feedback from potential partners (Kāinga Ora, MHUD, & others) is a keenness to assist. With CIP financial support, or confirmation that it is forthcoming, then Phase 1 can be accelerated immediately, as preparatory work has already commenced. Once underway as a programme of work the risk will revert to LOW.
B. The risk the project will not be completed on time, to cost or to specification	Low	Should construction be funded then the risk of not completing on time is LOW as build capacity in the District and immediate environs exists. Market demand has already been assessed, with waiting lists for community housing & a shortage of transitional retirement and newly built homes in the District, the market risk is considered LOW.
C. Risk the project will not realise the benefits outlined above	Low	As stated earlier, replacing lost Tourism and Hospitality GDP is vital to ensure employment opportunities remain (FTE's), plus wider social and housing benefits from meeting unmet housing demand. A 2-3 programme would also be of tremendous Regional benefit.

18. Are there any other key project risks or any other information which would be useful background or context at this stage?

*[Outline any other key project risks not covered above.*

The RDC cannot of its own accord fund a Housing stimulus programme as faced with potentially declining revenues and borrowing constraints, this would be a high-risk strategy. In the medium term it is likely that post Covid19 the Regions will hold greater appeal, but only if there is housing and employment.

The current property market fundamentals in the District are not catalysing the private sector to build for ownership or rental. While underlying developed land values are low, the low levels built stock is trading at value approximately half the cost to build new making lending appraisals problematic, so the ability to sponsor construction (through progress payments to builders) is a fundamental mechanism to getting more stock built and quickly. With the option of long term leasehold land, the acquisition entry price (house only + minimal ground lease) presents a viable option in a region where median incomes are comparable to MSD benefits.

Having completed quality, accessible living, and affordable new stock will meet housing demands. Key workers or first home buyers are also part of the target market but will need to purchase a completed dwelling or one with some form of purchase support package, otherwise they will not have the means to pay a deposit and pay progress payments.

## Section 4: Impact of COVID-19

19. Please briefly comment on the likelihood and timing of the project recommencing once the COVID 19 Response Level is suitable for construction to proceed

*[For example, when the Government moves away from level 4 restrictions will you be able to immediately commence/ restart the project?]*

The immediate work can be undertaken remotely, once at Level 3 or lower, then site testing and other technical inputs into land use and other consents can advance.

*What are the key conditions or barriers to commencing/ restarting the project? Please include cross reference to Q21 response (below) if Government support is required for the commencement/restart]*

Government support is required to fund construction and also the enabling works, otherwise the scale of investment is outside of Council funding abilities. Whilst some smaller projects may occur, these will still require external funding and collaboration to deliver.

20. What is the best estimate of the impact (financial/social/environmental) COVID 19 has had on the project and on local industry associated with the project?

*[Please provide the best estimate in \$ amount (or ranges) and unemployment numbers, and describe the nature of those impacts]*

The primary financial impact is that a private sector response without any form of Government support will be slow or potentially non-existent.

A report commissioned by RDC (March 2020) indicated the following:

The Ruepehu Residential Build industry is small with only fourteen companies identified, by comparison Taupo has over sixty. Most companies are general builders, three residential builders market set and costed plans with only two offering small 'affordable' homes.

The district has no scale build companies and as such lacks much of the expertise required to build cost effective accessible homes at scale and pace while also training a local workforce.

Private sector sponsored builds are likely to be even slower in the post Covid19 environment. This will place even greater stress on local builders and the supply chain. Activating the local market through a housing programme will stimulate and sustain the local supply chain but also grow it.

21. Has this project already, or is likely to benefit from already announced Government led financial support for businesses (e.g. wage subsidy scheme/business finance guarantee scheme) Yes:  No:

- If Yes, please describe the scheme and extent of the support you have received/expect to receive.

22. Briefly outline the top 2-3 things that the Government can do to help progress this project. Please consider both financial and non- financial levers such as lowering regulatory barriers, adjusting Government procurement practices, fast-tracking resource consent processes.

*[Top 2-3 actions (financial and non- financial) that Government can do to help progress or remove barriers to the project.]*

**Financial levers**

1. CIP Capital grant – provide a capital grant to Ruapehu District Council, with an agreed sum **\$7.78M** drawn down in tranches to match an agreed Housing Options programme, extending over an agreed draw-down period which matches formation and roll-out of the overall programme cash-flow. There is no interest and no repayment obligations provided that the funds are applied in accordance with the grant terms and that properties constructed are retained for Social or Community housing purposes<sup>6</sup> for a 25-year term. This work includes further land use investigation to confirm land use, development potential and scope the enabling works.
2. CIP Construction underwrite / builder progress payment programme – provide a funding facility of up to **\$15.49M**, for construction only (i.e. no land or any civil works), administered under a 3910:2013 Build only form of contract, progress paid on agreed works as validated by a RDC appointed Engineer to the contract, each build to be completed within 6 months<sup>7</sup> or immediately fully repayable. For each \$1M (incl. GST) of construction works contracted in this manner, the Builder(s) must agree to the RDC local employment and apprentice programme (yet to be developed). NOTE: Where the stock is retained by for Social or Community Housing and or transitioned for Affordable (Keyworker) housing, then there is no interest or repayment due. Where stock is sold to the open market, then the unamortised<sup>8</sup> portion of the underwrite is repayable to the Crown.

**Non-financial levers**

1. Develop an accelerated construction industry apprentice scheme.
2. Deploy an App based H&S and inspections tool to all Territorial Councils.
3. Provision of masterplan, urban design and resource consenting skills from Kāinga Ora.

***Please indicate clearly whether you consider any information you have provided in this form to be confidential. Confidential information will not be publicly released, other than in anonymised form, except to the extent that any release is required by law.***

***The Housing Options programme being investigated by the Ruapehu District Council has been reported on a confidential basis to the Mayor and elected representatives in keeping with section 7(2) (b) (ii) and (2) (i) of the Local Government Official Information and Meetings Act 1987 and the proposal as a whole should therefore be treated in confidence.***

<sup>6</sup> Note that the provider can change but must in all cases be one of the following set (Ruapehu District Council, Kainga Ora, Any accredited Community Housing Provider)  
<sup>7</sup> This assumes Covid19 Level 3 status or below, any Level 4 lockdown is an automatic time extension to the 3901:2013 contract.  
<sup>8</sup> The underwrite is amortised over a period of 10 years. Any stock sold for Affordable (Keyworker) ownership (definition & retention period to be agreed), is exempt from repaying the underwrite.