

Out of scope

-----Original Message-----

From: Ngahuia Leighton (Crown Infrastructure) [mailto:ngahuia.leighton@crowinfrastructure.govt.nz]
Sent: 9 December 2020 8:23 AM
To: Caroline McDowall [mailto:Caroline.McDowall@kaingaora.govt.nz]
CC: Sean Wynne (Crown Infrastructure) [mailto:Sean.Wynne@crowinfrastructure.govt.nz], Malcolm Hope (Crown Infrastructure) [mailto:malcolm.hope@crowinfrastructure.govt.nz], katja Lietz [mailto:Katja.Lietz@kaingaora.govt.nz], Geoff Mills [mailto:Geoff.Mills@kaingaora.govt.nz]
Subject: RE: Q1282 Ruapehu Social and Affordable Housing MHUD/KO Project Feedback

Morena Caroline,

Thank you for coming back to us so quickly.

Those comments are helpful.

Nga mihi,

Ngahuia

From: Caroline McDowall
Sent: Tuesday, 8 December 2020 10:08 PM
To: Ngahuia Leighton (Crown Infrastructure)
Cc: Sean Wynne (Crown Infrastructure) ; Malcolm Hope (Crown Infrastructure) ; Katja Lietz ; Geoff Mills
Subject: RE: Q1282 Ruapehu Social and Affordable Housing MHUD/KO Project Feedback

Thanks for your patience.

A couple of comments:

1. We support the design outcomes on Project 1 but have not seen the feasibility.
2. It is not an area of high demand for us. While they have been chatting with the team about the ITP, we had other higher priorities over the timeframe required. We don't have visibility of design/planning for Project 2, if there is evidence they can get it away in time, and if they have evidenced demand, then supply in the regions all helps.

Let me know if you need anything further. Keen to hear where you get to.

CM

Caroline McDowall

General Manager Commercial
Commercial Group

Mobile: s9(2)(a)

Email: caroline.mcdowall@kaingaora.govt.nz

Kāinga Ora - Homes and Communities

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From: Ngahuia Leighton (Crown Infrastructure) ngahuia.leighton@crowinfrastucture.govt.nz>

Sent: Monday, 7 December 2020 2:48 PM

To: Caroline McDowall Caroline.McDowall@kaingaora.govt.nz>

Cc: Sean Wynne (Crown Infrastructure) Sean.Wynne@crowinfrastucture.govt.nz>; Malcolm Hope (Crown Infrastructure) malcolm.hope@crowinfrastucture.govt.nz>

Subject: RE: Q1282 Ruapehu Social and Affordable Housing (MHUD/KO Project Feedback

Kia ora Caroline

I hope things are going well.

Our CIP Steering Group will be re-considering this project tomorrow and I wanted to touch base to see if you had any new thoughts on the project's viability or potential for other joint-up opportunities. I understand this is very short notice and suspect if we don't hear back by tomorrow morning, any Steering Group decision will be held until we receive KO's comments.

After I last touched base on the Ruapehu Social Housing Project, the CIP Internal Due Diligence Committee and Steering Group decided **not** to recommend the project to Ministers due to concerns with the Council's lack of planning around the project and the project viability.

Since that decision, the Council has advanced the scoping and planning work significantly (compared to where they were). There are essentially two projects.

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- Project 2 is for 44 enabled lots in Ohukune which will only be funded once Council can sign off they have a build partner in place for the majority (up to ~4.3m). Council are okay with placing an encumbrance on the titles to keep these as social/affordable.

The Council said they have been talking to Kainga Ora (who we note did not submit on the ITP) and have received planning help from Sarah Coady's team on Project 1.

The attached note provides the high level details (noting we have a lot more information available if that is useful).

Appreciate your thoughts on this one as it s not straight forward. Happy to discuss over the phone if that is easier.

Nga mihi

Ngahuia

Ngahuia Leighton

Bulk Housing Infrastructure | Crown Infrastructure Partners Ltd

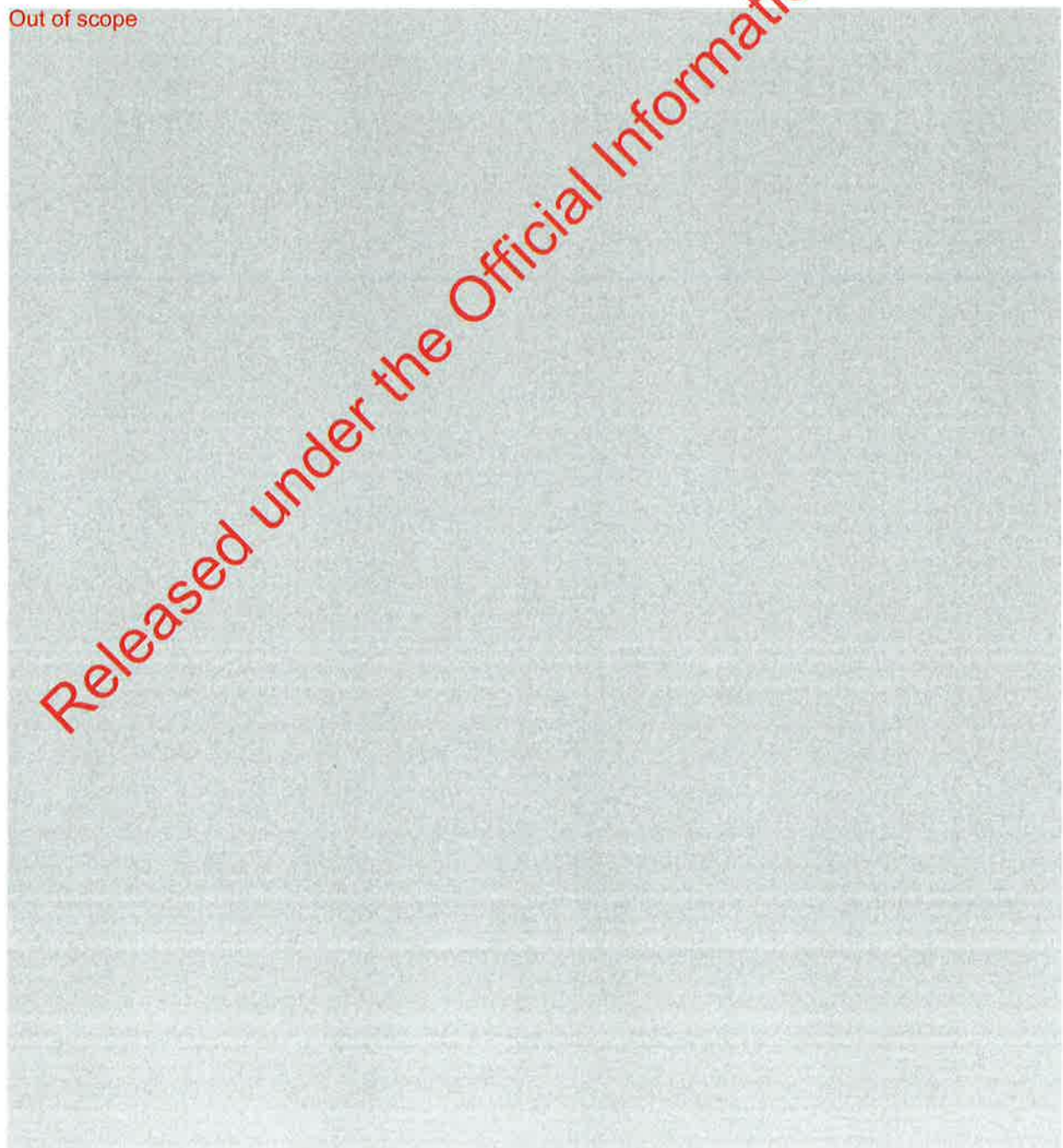
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Q1282 Ruapehu Social Housing – Update

Previous Decisions

On 7 October, the Steering Group considered the recommendation of the Due Diligence Committee and decided not to recommend the Ruapehu Social Housing project to Ministers for the following reasons:

- The scope has reduced significantly from what was first proposed to Ministers **Out of scope**
- Kainga Ora and Ministry of Housing and Urban Development (MHUD) have not expressed support for the project. KO had not heard of the project and MHUD raised flags around demand.
- There is risk there is no appetite from CHPs or the private sector to construct or take up the housing on the enabled land (this was raised by MHUD).
- The work required to complete the due diligence phase may drift out beyond 6 months (reducing the Project's 'shovel readiness') requiring ongoing CIP input.
- There is risk the due diligence phase results in a Project Budget which exceeds the current funding envelope (and Council do not commit to the co-funding).

After being advised of this decision, the Ruapehu District Council requested they take the time to refine the scope of their project and resubmit the updated project scope to the Steering Group for consideration.

On [x date] the Steering Group decided the Council should resubmit before the end of November so any updated information could be considered in time for the final Shovel Ready report to Ministers before the end of the year.

Current Status

The Council has significantly advanced their planning work and have presented CIP with a further refined project scope. They have also run an [ITP] process to further understand the build partner appetite and opportunities in the region and have received a reasonable response from local build partners. We are reasonably comfortable with the due diligence undertaken on Project 1. We are less comfortable with the due diligence undertaken and viability of Project 2.

If a project were pursued, it would be phased with CIP providing approval of due diligence materials ahead of Project 1 or 2 beginning.

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The updated Project Scope is as follows:

Project	Project Site and Description	Project Assets / Outcomes
<p>Out of scope</p>		

Project 2	Lot 2 DP 54909 Tei Tei Drive, Ohakune 9.45ha greenfield site	<p>The construction of 44 Enabled Lots.</p> <p>In addition, Master planning of the site will be undertaken to allow for future housing opportunities.</p> <p>Prior to site works commencement the Chief Executive will provide confirmation that the build partners are secured (to a level CIP considers reasonable).</p> <p>Council have agreed to encumber the 44 Lots so they are used for social or affordable housing purposes. The mechanics of this will need to be confirmed.</p>
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The Project Benefits include:

- the provision of additional 'fit for purpose' housing to meet the current oversubscribed demand and need for council's social housing,
- The provision of affordable homes for key workers (including those in manufacturing & agriculture) and stimulation of the housing market, this project will encourage the participation of scale builders to enter the housing market in Ruapehu,
- Provision of homes for workers in tourism,
- 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.

The Council has provided a copy of their waitlist for social housing in Ohakune which includes mostly single applicants in their later years of life who have been waiting between 57 and 1096 days.

The Project Costs are as follows:

Please note, this Project Budget has not been accepted by CIP and has issues to be worked through.

High level cost break down – Rounded estimates only	
Establishment Cost	
<i>Out of scope</i>	
Project management and governance arrangements - Project 2	900,000
<i>Out of scope</i>	<i>Out of scope</i>
<i>Out of scope</i>	
Project 2	
Due diligence	70,000
Site Clearance (est sum of Site Clearance line item figures)	3,000,000
Site Civil Costs (Contract Management)	361,000
Consenting, site survey planning, urban & engineering design	677,000
Construction (including titling, easements etc)	128,040

	4,236,040
Total Estimate Cost (Rounded Estimate only) (includes 4.5% contingency)	Out of scope

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-----Original Message-----

From: Clive Manley [mailto:Clive.Manley@ruapehudc.govt.nz]

Sent: 24 December 2020 11:45 AM

To: Andrew McKenzie [mailto:Andrew.McKenzie@kaingaora.govt.nz]

CC: Sean Wynne (Crown Infrastructure) [mailto:Sean.Wynne@crowninfrastructure.govt.nz], Ngahuia Leighton (Crown Infrastructure) [mailto:ngahuia.leighton@crowninfrastructure.govt.nz], Ree Anderson [mailto:ree@reeanderson.co.nz], Catriona McKay [mailto:catriona.mckay@mbie.govt.nz]

Subject: Ruapehu housing issues

Hi Andrew,

Thank you for the time on the phone to discuss our housing opportunities in Ruapehu. You asked me to follow up with an email.

Our housing project is to make available our council owned land as our local share, and for government, with their contribution, to de-risk the housing developments, for us to then attract other partners such as yourself to invest with us. Part of this we will be to continue to work with our local Iwi and MSD to utilize displaced local labour and to support our local economy.

Ruapehu has a wide range of housing problems affecting all sectors of our community from homelessness, overcrowding and unaffordability through to a shortage of housing for essential workers and others.

The lack of suitable housing is proving to be a real handbrake on our economic growth and social wellbeing.

Our newly elected council in October 2019 was keen that Council should play an active part in trying to resolve our housing issues in our district.

We are a council with a low residential population but a large land area in national parks and defense land, and other large areas in farms and forestry which contribute to 20% of our GDP. Despite the low permanent resident population we enjoy one million visitors each year and a number of our homes (33%) are used as second holiday homes and Airbnb type of accommodation. This has been further exasperated in the last couple of years by ex-Aucklanders and other large centres residents cashing up and buying rentals in our district and converting them to holiday homes.

Our economy is improving and the demand for housing is now a major impediment to further growth.

Despite the apparent advantage of relatively low land and capital house values our average residents incomes are some of the lowest in the country.

Our social agencies are reporting overcrowding in our available rentals and homes with reports of up to 17 in one home. We also have increasing numbers resorting to cars and other substandard structures. Their only other alternative is to move out of the district and lose their whanau support.

Our businesses who wish to grow, by taking on extra staff, are unable to attract them to the district, as there is limited rental accommodation, at any price, for them or their families, while they become established.

Owing to the relative low land prices, there has been limited interest in developers of scale wishing to operate in our district.

We have recently consulted on and adopted a Five Year Housing Strategy and Plan Action which also involves supporting Uenuku, Ngāti Hāua and Ngāti Rangi to enable them to deliver of their own Maori housing initiatives on Maori owned land.

In addition Ruapehu has been impacted by the lack of international tourist spend in the district with the latest results showing overall tourist spend, which usually makes up 19% of our GDP, still down by 18.5%.

Government, in responding to reduce the impact to the economy as a result of Covid-19, instigated the opportunity to propose projects to stimulate the economy and get people back into jobs.

The then Minister of Infrastructure, Shane Jones announced in August 2020, \$7.78 million from CIP, to Ruapehu for our housing initiative for 50 homes. We are still working with IRG officials to try to meet their due diligence requirements before they will recommend the project to the current Minister.

We have worked with our local Iwi and have completed due diligence on a 'shovel ready' development site and could commence, in a very short time frame, the construction of six 'proof of concept' housing units. We are also near to completing due diligence on the second site for the remaining 50 housing ready lots.

We have every confidence that the success of our 'shovel ready' housing project will be the catalyst for attracting the private capital, co-investment, big builders, community housing providers and agencies such as Kainga Ora required to kick-start development at scale in Ruapehu.

I understand the need for government, through the IRG, to provide due diligence on our project but would hope you could add your support to what we believe is a real game changer to our district.

Regards

Clive

Clive Manley
Chief Executive

Ruapehu District Council

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