



## COMMUNITY-FOCUSED HOUSING CASE STUDY

Report prepared by The Urban Advisory, in collaboration with Cooper and Associates, Urban Apostles, AHHA and BP Red.

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## Overview

**The purpose of this document is to assess the viability of community-focused housing models in Avondale and provide recommendations on a clear path to delivery (if approved).** This information will be used to inform an Indicative Business Case, currently being prepared by Panuku.

This document summarises previous content provided to Panuku as part of an iterative process that has involved a series of workshops and supplementary information exploring:

- **What is community-focused housing**, and how does it differ from the offering of Community Housing Providers?
- **Housing demand analysis for Avondale:** Who are we creating homes for?
- **Site assessment and options analysis:** Exploring the impact of a unit title ownership in comparison to a cooperative ownership structure, and the impact a community land trust has on affordability.
- **Recommended options.**
- **Delivery:** process for advancing the case study project, commercial arrangements, and procurement.
- **Risks and next steps.**

The work on demand analysis and the masterplan design review and design booklet were undertaken throughout this process, alongside workshops with Panuku staff, and are provided within the Appendices.

**A NEW OUTCOME REQUIRES  
A NEW PROCESS.**

REVITALISING COMMUNITIES  
THROUGH THE DEMOCRATIC  
STEWARDSHIP OF LAND.

## Executive Summary

The objective was to find an community-focused housing option that:

- **involved the community,**
- **achieved perpetual affordability,**
- **demonstrated innovation and was replicable, and**
- **delivered more affordable housing than market housing.**

Six options are being considered in Panuku's Indicative Business Case. The status quo option is not considered in this report; the five options that are considered are the only options that meet all the objectives that were agreed with Panuku. These options aim to serve low- to moderate-income earners, who are generally essential workers.

The options are:

- Option 1A. Tower development with unit title ownership and land included in the purchase price.
- Option 1B. Tower development with cooperative ownership, with the land in a Community Land Trust.
- Option 2A. Three-storey development with unit title ownership and land included in the purchase price.
- Option 2B. Three-storey development with unit title ownership, with the land in a Community Land Trust.
- Option 2C. Three storey development with cooperative ownership, with the land in a Community Land Trust.

**The recommended option is Option 1B, the tower development with cooperative ownership, with the land in a Community Land Trust.**

This option was chosen through considering all the objectives sought from the project, including; perpetual affordability, housing choices, scalability and replicability, belonging and participation, demonstration of innovation and sustainability.

Other options considered provide a greater level of affordability, initially, but require a considerable amount more land. This may conflict with other site objectives for Panuku around maximising the provision of affordable housing.

If a Nightingale approach was selected (Options that include unit title ownership, and include the land in the purchase price), you could use a covenant on the title to restrict the re-sale of the apartment when being on-sold to subsequent purchasers. However, without removing the land from the equation (via a Community Land Trust), the level of affordability offered is not considered significant enough to justify intervening in the private market in this way. This has therefore not been considered in this report.

If the recommended option is not progressed, there has been interest expressed by investors, who would buy the land off Panuku, to enable the development to progress as a private initiative. This does not achieve all of the outcomes sought by Panuku, however, and therefore will be pursued outside of this process, if the recommended option does not progress.

# 1. Introduction

Panuku has several strategic objectives, captured in the cross-cutting themes, and specific guidance on the residential mix and housing choices. However, there is currently a severe lack of affordable rental or ownership products available to fill the gap between public rental, Community Housing Providers' products, and market housing in New Zealand. The options considered in this report aim to provide more affordable, and high-quality housing choices for low- and median-income households, at below market rates, based on approaches that have demonstrated consistent and long-term success overseas.

## 1.1 The Role of Community-focused Housing in Regeneration

**Community-focused housing (CFH) enables people and communities to play a leading role in addressing their own housing needs** (Goulding, 2018; Thaden and Pickett, 2019). There is no profit made by the 'traditional developer' in this process. There are a range of existing housing models that are proven to be effective at addressing issues of housing affordability, social disconnection, and sustainability.

These include:

Cohousing	Cooperative Housing	Community Land Trusts
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The key factors differentiating these models includes the set of legal, financial, governance, management, and design parameters that shape them. Only the cooperative ownership structure, and/or community land trust model, allow for perpetual affordability, therefore these form the basis of the options analysis in Section 4.

### 1.1.1 Overview of the Development Models Considered in this Case Study

This section presents a summary of three community-focused development models that have been considered, however, only two different tenures are explored in the options analysis; a unit title ownership, as the well-known standard approach, and cooperative ownership. Co-housing does not provide a scalable model for delivering affordable housing. **Therefore, while the principles of cohousing are adopted within the options proposed, the process of residents self-funding and leading the project is not proposed as a viable option for Panuku to consider.**

**A. Cohousing** is a form of intentional community in which a group of people come together to plan, design and operate their own multi-unit housing development (Holtzman, 2011). Cohousing can have many different applications; it can be purely resident-led (Cohaus in Grey Lynn, New Zealand is an example of this), or architect-led with investment secured in order to undertake the development, which is then purchased by the residents, in a similar way to market housing; Nightingale, in Australia, is an example of this kind of co-housing.

## THE PRINCIPLES OF CO-HOUSING THAT CAN BE APPLIED TO OTHER DEVELOPMENT MODELS:

**Participatory Processes:** Members are engaged in organising and participating in the planning and design process for the cohousing development.

**Intentional Neighbourhood Design:** The physical environment contributes to the feelings of belonging, and while preserving privacy for residents, encourages spontaneous social contact.

**Private units, and Common Facilities:** All households on the site have self-sufficient units; additionally they also have access to the common areas and facilities.

**Resident Management:** The residents are responsible for managing the development, engaging in participatory and decision-making processes.

**Non-hierarchical Structure and Decision-Making:** There may be leadership roles; everyone is involved in decision-making processes; all are empowered.

**Separate Income Sources:** All households have their own income and finances and the community is not a source of income. Common costs are often covered by the annual membership fee paid by each member.

**B. Cooperative ownership** is where the residents are shareholders of the company that owns the building. Globally, cooperative housing provides an alternative tenure (to traditional unit title or freehold title ownership, and renting), adding to the options available within the 'affordable housing' category, a component of the New Zealand housing market that is underserved. The cooperative ownership structure lowers the size of the deposit a person needs and enables the rent to be stabilised (through contractual agreement), therefore making the weekly payments more affordable over time. Cooperatives vary in nature, and can often deploy a shared equity arrangement, making them significantly more affordable than market rental, and ownership. A primary advantage of the housing cooperative is the pooling of members' resources to leverage their buying power and lower the cost per member of all the services and products associated with home ownership (Lutz, 2019). Cooperatives also introduce additional mobility into the housing ecosystem by allowing individuals or families to change apartments or tenures within a cooperative, as needs change through stages of life, without the added risk or administrative costs of moving in the open market (Crabtree et al., 2019). Other benefits include strong social networks and support (Crabtree et al., 2019) and opportunities for participation in governance (Crabtree et al., 2019).

### The Role of Land in Providing Affordable Housing

Regardless of the ownership structure of the improvements (the building), a key element that needs to be considered is the treatment of land. By ensuring that the land is removed from market influences, affordability in perpetuity can be achieved. This can be done by either ensuring that the land stays in public ownership, or is placed in a Community Land Trust, and protected from being sold for speculative housing. **Either the freehold or leasehold interest can be made available for affordable housing, and a ground rent paid in exchange for a long-term lease at a concessionary rate.** This way the conditions of the lease can stipulate the resale conditions pertaining to the apartments, restricting capital gains being made, and ensuring retained affordability for subsequent purchasers.

**C. Community Land Trusts** can provide long-term solutions to meet a variety of local needs. These needs may be the provision of affordable housing, the design and care of public spaces, support for the development of social and community enterprises, or part of wider community organising and community capacity building endeavours. Equally, CLTs can be started and set up by a whole host of different bodies, each with a different initial purpose – from a group of active people or a council, to housing sector advocates and professionals, community organisers and even property developers. While there are criteria that a CLT must meet, it is part of the strength of the model that its practices and specific objectives will vary from area to area and place to place.

The underlying principle of a CLT is that it aims to serve community interests at the same time as it serves individual interests – the benefits to one do not outweigh the benefits to the other. A CLT may build some affordable homes, for example, that house individuals on modest incomes, who otherwise might not be able to afford to remain to live and work in that community, shop in the local shops, send their children to the local school, and contribute to the overall stability and sustainability of the wider community. Legal definitions may stipulate resident membership and/or control of the organisation, this drives excellence in outcomes and accountability. In summary, they are private non-profit organisations holding title (freehold or leasehold) to property (housing, shops, community centres, childcare, etc...) in perpetuity to provide perpetually affordable housing, and community benefit.

### 1.1.2 Benefits of Community-focused Housing Models

Having a broader range of housing choices has been proven to attract talent, build a diversified workforce, and in turn create competitive cities (Goulding, 2018). An investment into the CFH sector is an investment into a new economic model, one that builds community wealth and wellbeing, by changing the distribution of benefits from developers and financiers to the community. In turn, this redistribution of benefits enables communities to have greater agency over their health and wellbeing, reducing the burden on private and public sectors and driving positive and sustainable economic, social and environmental outcomes. The growth of the CFH sector will help to modernise both the housing market and be more resilient to property market cycles (Wang et al., 2019).

Community-focused housing has also proven to be an activator of space, increasing the dynamism of neighbourhoods, as well as an effective regeneration and anti-gentrification tool (Choi et al., 2018; Engelsman, Rowe, and Southern, 2018). Community-focused housing empowers the community to take agency over some aspects of the development of their environment. This ties into regeneration objectives more broadly and shifts some of the burden of responsibility for public realm and infrastructure management onto communities through shared public amenities where the ongoing maintenance can be managed by the community as part of their established governance body.



**Perpetual  
Affordability**



**Long-Term  
Sustainability**



**Social  
Connectedness**



**Integrates  
Non-Housing  
Amenities**



**Quality  
Design**



**Capability-  
building**

**The following benefits of CFH have been identified. These connect to the outcomes identified by Panuku in terms of strategic fit, net community benefit and financial performance of the project:**

**1. CFH is a key mechanism to provide a wider range of affordable residential choices across price points, tenures, and typologies. It does this by:**

- Reducing the cost to purchasers (i.e. through the treatment of land, the programme of the design, and/or the ownership structure).
- Ensuring resale conditions are set that keep subsidised homes in circulation, rather than the subsidy being lost at first resale.
- Being able to access different types of finance (low interest rates and longer terms), and tax status, in recognition of the not-for-profit nature of CFH.
- Facilitating the pooling of resident resources to leverage their buying power and spread the costs associated with homeownership among more individuals.

**2. CFH can provide opportunities for partnerships and help with community-building (particularly as part of regeneration programmes) by:**

- Working with other agencies and the community to collaboratively develop a detailed brief and programme for the site.
- Working with existing housing providers to identify how they can also collaborate by potentially owning some of the units within the development.
- Enabling residents to develop a range of social, financial, operational, administrative, leadership and job-seeking capabilities by being involved in the project planning and governance structure. This in turn allows them to access further education, qualifications, and employment opportunities.

- Making use of collaborative procurement, contract and risk allocation models, encouraging appropriate community participation, and sharing design team responsibility based on performance and outcomes, rather than individual risk. See the Delivery Approach section for further details.

**3. CFH provides fit-for-purpose housing options that meet demand because they more naturally accommodate intergenerational and cultural needs by:**

- Adopting a co-design process to engage potential residents early in the project and ensure the design team and process are equipped to put their needs at the heart of the design process.
- Integrating socially beneficial amenities into the project as the development feasibility is undertaken, such as shared laundries, playrooms, guest houses, gardens and cooperative enterprises.
- Measuring outcomes using mechanisms beyond exclusively financial metrics, tracking performance against social and environmental metrics that are relevant to residents and the community.
- Prioritise enabling mana whenua to exercise kaitiakitanga and manaakitanga by involving them in the development process throughout.
- Provide for the diverse cultures that live in the Whau Local Board area by involving them in the development process throughout.



### 1.1.3 The Difference Between Community-Focused Housing and Community Housing Providers

Community-focused housing is an independent sector within the housing ecosystem. Its approach differs from that taken by Community Housing Providers, although both sectors are committed to a 'not-for-profit' or 'limited-profit' model and treat housing as a human right, not a commodity. Central and local government support for both sectors is needed due to the current economic climate, and their inability to stack up against traditional, for-profit speculative approaches using a short-term and exclusively financial analysis (predominantly CAPEX focused). This is likely to include incentives that exist in other regions (such as tax, GST and rates breaks, etc.) to ensure viability of these models. This re-emphasises the need for strong public sector leadership.

	Community Focused Housing (CFH)	Community Housing Providers (CHP)
Commercial Model	Not-for-profit Any savings in operating costs are passed through to residents	Not-for-profit / limited profit (to recycle)
Tenure	A range of tenures (cooperative rental / leasehold / unit title / shared equity / rental)	Largely rental, with some shared equity ownership products
Level of Affordability	Below-market products at a range of price points. Cost is tagged to median incomes and mechanisms to ensure affordability is retained	Heavily subsidised housing, available to those earning under a certain income, and eligible for Income Rent Related Subsidy
Sustainability	Community-focused housing typically allows for far greater sustainable performance outcomes given resident involvement, collaborative delivery and non-profit nature of developments (specifically, a reduction in operating costs that are passed on to the residents)	CHP developments typically achieve modest sustainable performance outcomes owing to budget constraints and unilateral decision making of CHP without resident involvement
Resilience and Social Cohesion	Community-focused housing yields high levels of social resilience and cohesion given that residents have a vested interest in the design and governance of projects	CHP's have limited capacity for community building without residents being directly involved in the day-to-day decision making and governance of projects
Who are they for?	Usually, apartments have smaller private spaces, and shared common amenities for the residents, as well as other non-residential spaces, that can reduce the cost of the apartments, such as childcare, community centres, coworking, or small retail, contributing to the economy more broadly	Low income families who qualify for income Rent Related Subsidy or Accommodation Supplement, or shared equity schemes
Design and Programme of the Building	People on moderate incomes, specifically single-income households. Those who do not qualify for subsidised housing, struggle to save a deposit or get a mortgage. Key workers / the intermediate housing market (private renters who are stressed) A diverse mix of people who are attracted to a different style of living that is currently not available	Are generally individual homes
Resident Involvement	Residents are involved in the design, delivery and governance of intentional communities	CHP does the design and build of individual houses, for individual families
Democratic Control and Participation	Residents involved in ongoing governance and management of the property board balances residents and broader community interests	Limited ongoing community participation. Some control if purchased as a shared equity product

## 2. Strategic Context and Guiding Principles

### 2.1 Strategic Context

A workshop to understand the strategic priorities (Figure 1) for developing a community-focused housing case study project, and to select a preferred site, was undertaken. Both Panmure and Avondale were considered, with Avondale being selected. More information on the criteria used to assess the two options and the results are provided in Appendix 1. Below is a summary of the strategic objectives, prioritised for the Avondale precinct.

#### Regeneration Goals Prioritised for Avondale:

- Liveable Communities**
  - Increase the number of dwellings that are affordable, accessible and sustainable
  - Achieve a diversity of dwelling units (size, type, price points)
  - Increase residents’ sense of community and pride in the way the town centre looks and feels
- Sustainable, enabled, connected communities**
- Stimulate local growth, investment and innovation**
- Enhance and restore the natural environment**

#### Strategic Moves in the order they were Prioritised for Avondale:

- Move 2:** Create high-quality residential neighbourhoods
- Move 4:** Foster the growth of local business
- Move 1:** Enliven the heart of Avondale town centre
- Move 3:** Strengthen connections with the town centre

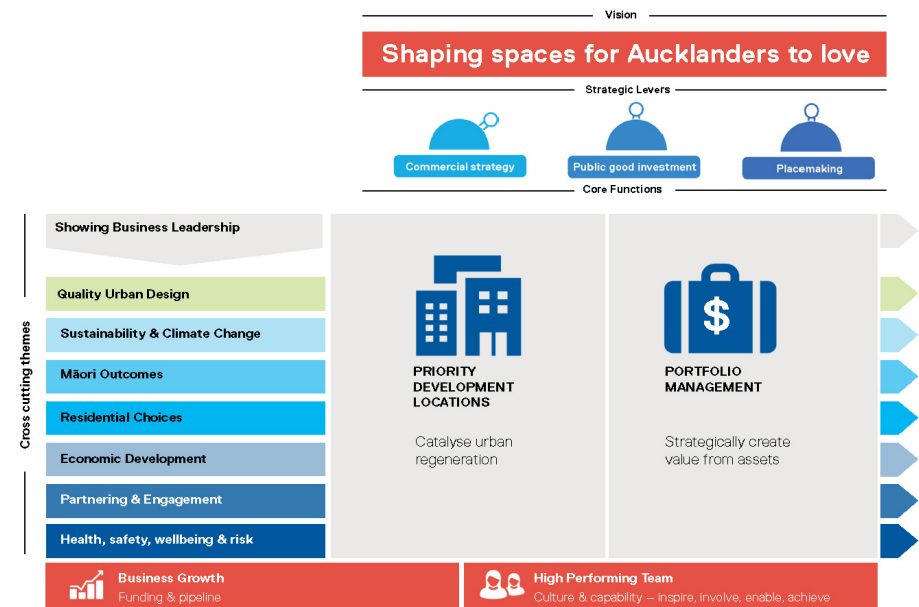


Figure 1. Panuku Strategic Framework

## 2.2 The Guiding Principles for the Case Study Project

To acknowledge the content from previous sections, the fundamental elements of the proposed case study project and the following principles are provided. If the project proceeds, these may be used as a starting point to collaboratively develop shared principles among the design and delivery team and other collaborators (including future residents):

### Community-focused

- Contributes to an activated and connected neighbourhood by understanding and responding to the needs of the community and the wider context.
- People have a seat at the table, and the process is designed to ensure their perspectives can affect outcomes, so they become empowered rather than displaced.

### Better Housing Quality and Choices

- Provide better choices for 'Key Workers', by providing quality housing at below market rates, that are affordable for moderate income earners.
- Enables greater housing mobility, and flexibility for people by providing options more suited to people's lifestyles, and life phase.

### Perpetually Affordable Housing Options

- Take a long-term view of public investment and stewardship of land and use suitable development and procurement mechanisms to deliver on that view.
- Ensure that affordability is retained for subsequent generations through contractual agreements, that recognise the subsidies (e.g. through discounted land) given by Crown and/or Council, by limiting the capital gain that can be received by purchasers when they resell their home.

### Exemplary and Inclusive Urban Regeneration

- Community involvement and agency is enabled by engaging in a participatory design and procurement process, and transparency about where the community can effect change, and where they cannot (and why).
- Scalable and replicable development, on different sites within central and local governments portfolios.
- Be an example of collaboration, by ensuring cross-sector participation in design, development and procurement processes.

### Environmental and Social Sustainability

- Promote social and environmental sustainability, through balancing private and shared spaces and resources, that foster shared responsibility.
- Build trust and skills (social capital) by enabling as transparent a delivery process as possible, with future residents enabled to contribute to the process

## Sustainability Expanded

A core component of the proposed Avondale development is a focus on sustainability, not as an additional extra tagged onto a traditional design process, but as an essential and integrated component of a more suitable collaborative design process. A standardised approach (such as Green Star, Home Star, LEED or similar) dictates to design teams the things they should incorporate to improve the standard of sustainability on a project. This tick-box approach taken by rating systems often conflicts with the much deeper and contextual understanding within the design team and other stakeholder groups (including community) of how to design in a way that meets the specific needs of this unique place. Because we live in environments and communities that are in a state of constant change, sustainability is not a static outcome. Rather, sustainability is a process of on-going and continuous innovation in response to the changing needs of people, ecosystems and economies. This approach also acknowledges the interplay between social and environmental outcomes, and allows us to deliver highly sustainable outcomes at a vastly reduced cost, ensuring that design outcomes intended to be equitable do not inadvertently lead to inequitable outcomes by delivering sustainability only for the wealthy.

### *Sustainability Standards*

Panuku's minimum Home Star standard of 6-Stars will be achieved in the delivery of the models discussed in this report. There would be additional investment in sustainability determined by the entire team during the integrative design process to deliver the maximum benefit to design outcomes per dollar spent. This would be assessed by the cost planner in conjunction with the design team throughout. This process would be guided by the Design Principles defined by the team at the start of the integrative design process, likely to include a balance of Passive House principles (focusing on improving the building fabric as a first priority) and principles drawn from the One Planet Living framework. We do not recommend that full certification under any additional standard

is sought, as this tends to redirect funds away from delivering beneficial design outcomes. Rather than utilising a standardised sustainability framework that may impose design requirements that add little value for significant outlay, removing responsibility from the design team to engage their expertise in finding creative solutions in the process, this approach engages the full creative capacity of the design team to deliver the most cost-effective outcomes with the maximum benefit to residents, the local community and environment, and the project's sustainability as a whole.

### *Sustainability Verification*

To ensure that the performance of the project in operation matches or exceeds the performance anticipated during design, the energy model and other calculations conducted throughout the design phase should be used as a guide during the first 12 months of building operation. During this period, residents would be supported to track the performance of their building, covering items such as energy use, water use (including Water Sensitive Urban Design (WSUD)), food production, waste and nutrient processing, transport use, material selection and life cycle impact. Data would be collected and tracked, and compared to the expected usage, with sessions held monthly with residents to review the data with relevant experts. Areas of concern or potential issues would be identified during these workshops, and trends in the data aligned with anecdotal evidence from residents' lived experience. This provides the ability to define and track actions to address issues, monitoring the results and discussing at subsequent workshops, but also to be captured and applied to other developments.

## Social Return on Investment Expanded

As part of Panuku's total value analysis approach, intended to assess all decisions with regard to the three key outcomes of Strategic Fit, Net Community Benefit and Financial Performance, we recommend working with Impact Lab to track the Social Return on Investment (SROI) to the community as a result of the alternative approach to development. Not only will this enable Panuku to demonstrate clearly to communities, Auckland Council and other stakeholders that this project has delivered tangible value for residents, their approach ensures that it demonstrates tangible improvements in the quality of life of individuals – not just an abstract dollar figure.

This process can start by collecting the available data on the lives of the people likely to be involved in the project (drawing on sources from NZ Treasury, NZ Statistics and others), synthesising that data, reviewing against literature and using Impact Lab's GoodMeasure algorithm to align what we know about the community with those design programs and interventions that have proved most successful at delivering well-being improvements in the quality of life for a given demographic. This combination of system level insights and grassroots know-how allows us to calculate the expected impact of our design and process, and the social return on investment. These insights can be organised to align with Panuku's Corporate Social Responsibility (CSR) framework, the Living Standards Framework, the UN's Sustainable Development Goals (SDGs) or any other framework that may be useful.

The additional benefit of this approach is that not only are we demonstrating the tangible social benefit in a dollar figure that can be used as part of traditional accounting procedures, we also gain a valuable feedback loop to inform design. By understanding what has worked to improve the well-being of communities in the past, we can test those insights with the community and future residents, informing our design process from their lived experience and what has worked in the past and therefore delivering the best possible outcome.



### 3. Demand Analysis – Who Are We Building Homes For?

Auckland Council and Panuku have made commitments to provide affordable housing, as part of the residential mix guidelines. Significant work has been undertaken by Auckland Council to understand the need, and future impact of decreasing housing affordability. This section draws on that information, and demand analysis undertaken at the start of the process (see Appendix 2) to identify the target market, for this particular project.

#### 3.1 What is Affordable Housing?

**Affordable housing** is a relative term. Auckland Council uses the standard definition of affordability, assuming no more than 30% of gross household

income is used to either pay the rent or service a mortgage. This project aims to serve those households who are currently **stressed** (paying more than 30% of their income on housing), and specifically targets those in the **'intermediate' housing market** (private sector renter households, having at least one member in paid employment, which are unable to affordably purchase a dwelling at the lower quartile of the market sale price, using no more than 30% of their gross household income to service mortgage expenses). Currently, there are limited options for the 40.2% of renter households in Auckland (Mitchell, 2019). Generally, these are people on **moderate incomes** (80-120% of median income), whose income levels disqualify them for subsidised housing, but also often, does not enable them to affordably purchase housing at market rates. **Currently, there are limited products available to meet the growing demand, as house prices continue to rise faster than incomes.**

**Poor housing affordability is one of the key drivers behind the growth in the intermediate market.** In 2018, households required incomes in excess

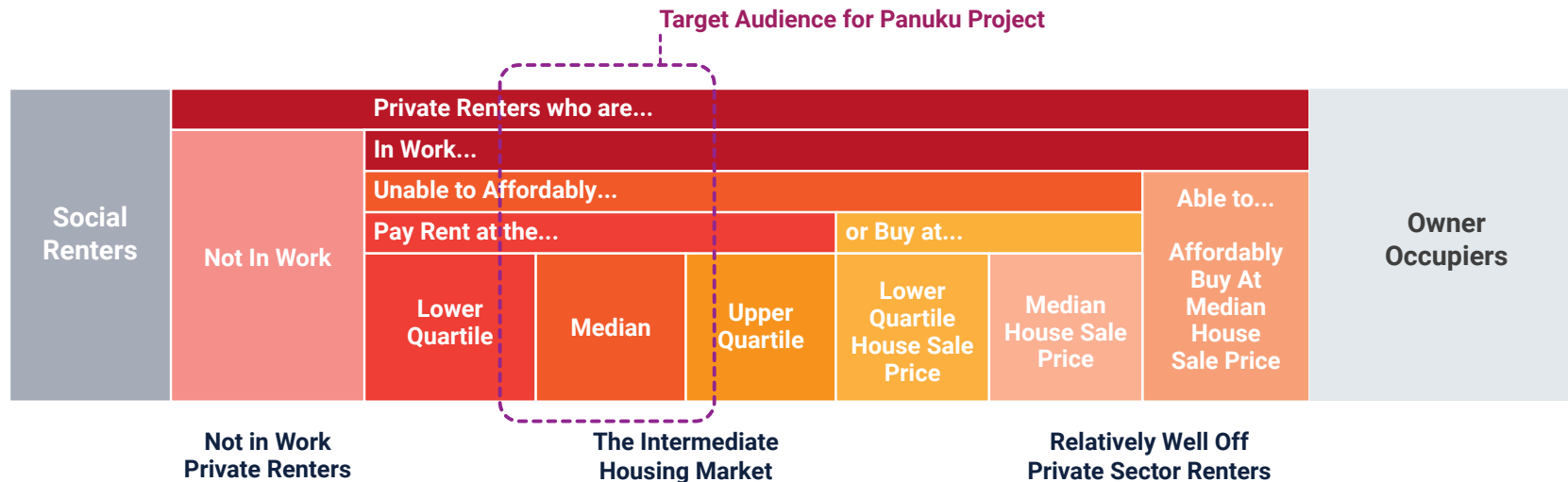


Figure 2. A detailed housing continuum showing the intermediate housing market.

of \$130,000 per annum to affordably service a mortgage associated with buying a property at the lower quartile house sale price. The median household income is \$90,000 in Auckland and \$63,900 in the Whau Local Board area. The intermediate housing market reflects only one portion of the housing continuum. Figure 2 presents a more detailed view of the housing continuum.

### 3.2 What Cohort Along the Housing Continuum are we Targeting?

The case study project aims to provide an alternative option not yet available in Avondale, or wider Auckland, for the intermediate housing market (Figure 3). We are targeting both single- and double-income households. Across Auckland the intermediate housing market is expected to continue to increase over the next ten years and by 2028 account for 17.7% of all households, (a total of 123,350 households) up from 10.8% in 2001. Projected growth suggests there will be strong growth in those aged between 30 and 39 years (accounting for 58% of total growth). Pressures within Auckland's rental market are projected to result in strong growth in the number of intermediate couples with children households, which are expected to account for 58% of total growth. The number of one-person intermediate households is also expected to experience strong growth across Auckland.

The challenge for Auckland, like other fast-growing cities, is to manage the growth in such a way that housing costs do not impact on the city's ability to attract and retain key workers and the talent it requires to maintain its economic development. Clearly, the current market trends in Auckland are unsustainable, with the growth in the intermediate housing market a reflection of poor housing affordability. Ultimately, if dwellings are to become more affordable to private sector renters, house prices have to increase at a lower rate than household incomes. **An increase in the supply of more affordable smaller dwellings in different dwelling typologies could assist with this adjustment.** Failure to provide adequate, affordable, local housing options for those in the intermediate housing market can impact upon not only the efficiency of the local labour market and in particular labour availability, but also can lead to suboptimal settlement

and commuter patterns (Mitchell, 2019). The economic consequences of a growing intermediate housing market for the mainstream economy include the growing inability of workers in "essential" occupations such as police, nurses and teachers to buy in areas in which they work.

Declines in renters' ability to purchase dwellings and subsequent falls in home ownership rates impact on the traditional notions of housing careers. Increasingly, renter households are unable to transition to home ownership. The breakdown of the traditional housing pathway in Auckland is likely to result in a growing number of households who will never attain home ownership. Renter households on fixed incomes, particularly those with people aged 65 years and older, are particularly vulnerable to changes in the level of market housing costs (rents). Consequently, one of the issues in need of consideration is how to ensure that there is appropriate affordable housing available to these households. In addition, the growth in the number of renter households could place ongoing pressure for the accommodation supplement, lead to increased crowding, and clustering of low income renters in areas with lower housing costs which may or may not have access to good public transport links and employment nodes (Mitchell, 2019).

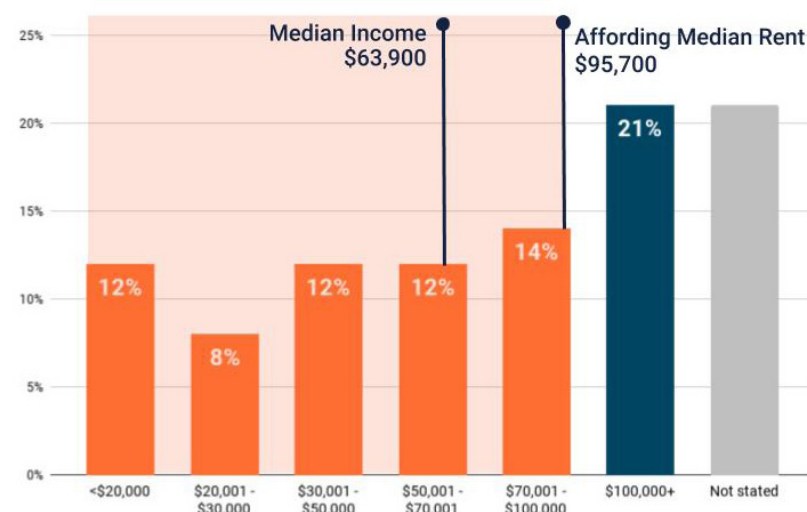


Figure 3. Income brackets of Avondale residents related to median income and rent.

### 3.3 Demand Analysis Summarised

The demand analysis has highlighted that:

#### Currently, in the Whau Local Board:

- Over 53% of people are paying more than 30% ('stressed renters') and over 27% of people are paying more than 50% ('extremely stressed renters') of their incomes on rent.
- There is a large need for more affordable housing that serves single, two-person households and couples with children.
- There is a large number of renters and owners 50+ who are stressed.
- There are few social housing tenants paying market rent (less than 2%).

#### Looking forward to 2028 in Whau Local Board:

- The Intermediate Housing Market (renters, not able to pay lower quartile house prices) is projected to continue growing in the area.
- There will be an estimated increase of 600 intermediate households in the Whau Local Board area by 2028.
- Both renters and owners in the area will be stressed (paying more than 30% of their income on rent or mortgage).
- It will be particularly hard for those earning \$30-70K per household.

#### Incomes required to achieve 'affordable housing' of recommended Option 1B (see Section 4): Tower Cooperative, with land in CLT (Table 1)

- Avondale median income is \$63,900 so moderate incomes range from \$51,120 to \$76,680 (80-120% of median income)
- People earning between \$30,000 and \$136,760 + could affordably own a unit, and pay the weekly payment to service all costs associated with home ownership
- Buy in 55K with 2% interest paid P/A (\$11,000 over ten years)
- Can be split amongst several people i.e. \$22,500 each if divided by 2

Unit	Weekly rent payments	Weekly income required to affordably pay rent	Total annual income required if single	Income required per person if split in to two	Income required if split between three (i.e. 1 couple + 1 single)	Income required if split between four (i.e. 2 couples)
Micro unit	\$342	\$1,140	\$59,280	\$30,000	/	/
One bed	\$526	\$1,753	\$91,156	\$45,000	/	/
Two bed 1 bath	\$621	\$2,070	\$107,640	\$54,000	/	/
Two bed 2 bath	\$710	\$2,366	\$123,032	\$62,000	\$41,000	\$31,000
Three bed	\$789	\$2,630	\$136,760	\$68,380	\$45,000	\$34,190

Table 1. Weekly payments versus weekly incomes across household types.



## 4. Case Study Options Analysis

### 4.1 Site Analysis

**This section summarises the review of the masterplan for Avondale and the selected site. For a summary of the more complete site assessment, see Appendix 3.**

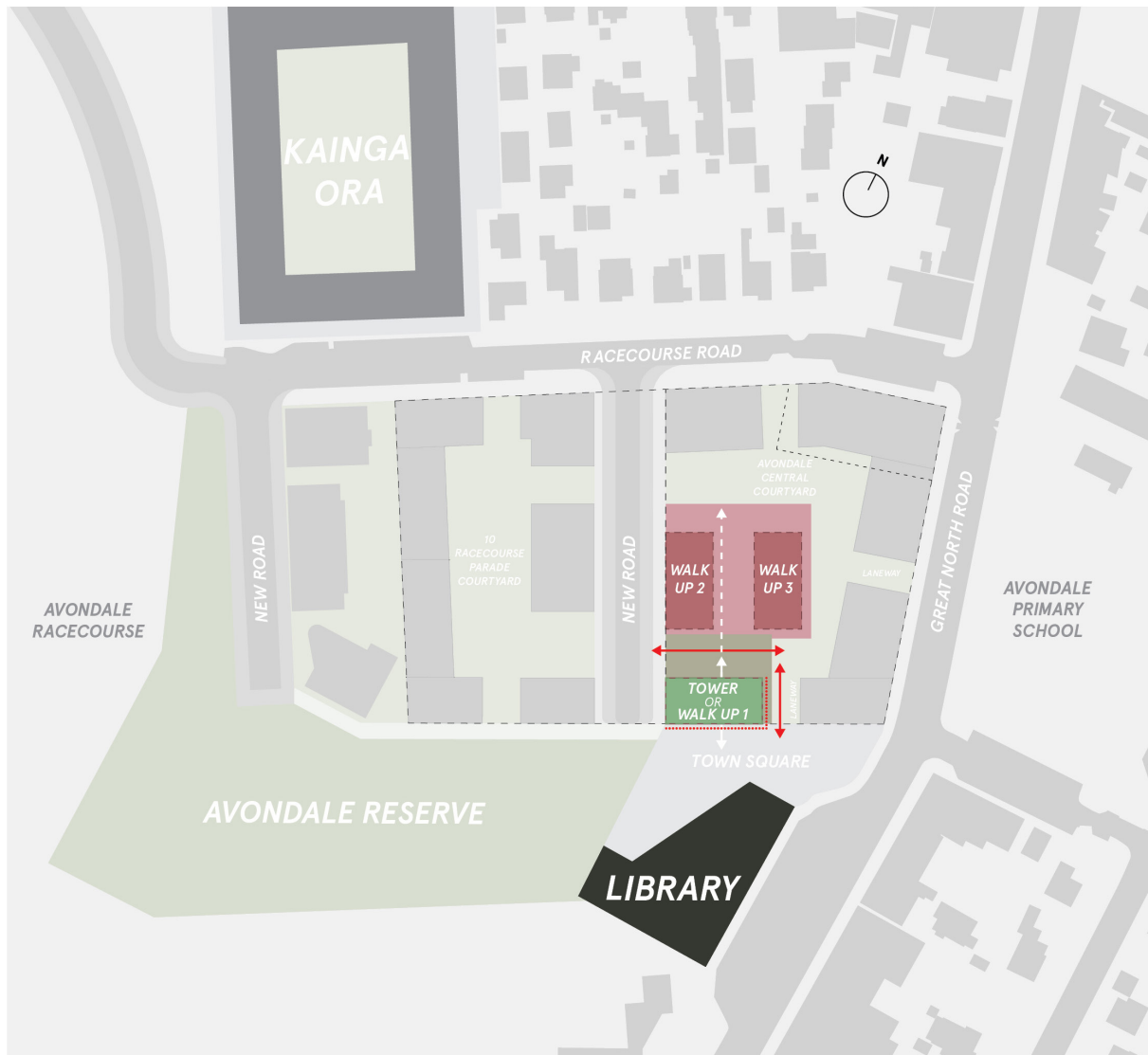
The scale and location of the Avondale Central site provides ample opportunity to create a connected and lively town centre. With adjacent public amenities and commercial activity, this project looks to develop strong relationships with the inherent programme this type of building has to offer.

The proposed built form of the overall development responds to the scale of the site, the proposed new infrastructure, as well as ensuring high-quality living environments are created, both internally and externally. The overall site is split in two with a wide central road allowing off-site parking. The built form is broken into two main masses creating private green spaces for the residents; these masses are broken down further creating buildings of varying in height and scale, as well as providing a series of laneways. The laneways create a porous perimeter allowing light and air to permeate across the site, connectivity and activity throughout the site and surrounding area, and a strong connection between the site and town square.

The buildings programme (childcare, cafe, options space, and entranceway) creates an active and connected ground floor compared to typical housing development, making it well suited to be located next to the town square, ensuring a lively atmosphere. Located on the southern edge maximises the northern sunlight exposure on the building as well as views without disrupting the surrounding buildings. This position also mitigates the size of the building by using the buildings along Great North Road to breakdown its scale. The building has the opportunity to be constructed at the same time as the town square allowing better coordination between the public and private developments, as well as completing an active edge to the town square early in the overall development.

**The transferable principles of community-focused development, that could be applied to other sites, include the following:**

- Understanding the master-plan and the outcomes sought for a precinct is an essential part of deciding what model might be most appropriate for an area.
- Integrating the location of a community-focused development into the master-plan of an area is critical because the potential for community interactions are designed into the buildings and they function as activators of the neighbourhoods they are delivered in.
- Being accessible to public transport is a key prerequisite for these developments to be successful, as there is usually limited car parking included in them.
- There is a requirement for non-residential uses to be included, so that the revenue they create can be used to offset the costs of apartments and the operational expenses that the residents have to pay. Shared utilities and services also reduce the operational costs of the building.
- The programme is always built around equitable access to quality shared and private spaces. Shared ownership and management of areas is critical.
- Maximum sunlight and active circulation, to encourage surprise encounters and build community, is a core requirement of a community-focused development.
- Having a range of apartments that are affordable to a variety of people, that have different levels of income, is a common characteristic of these models.
- Enabling authentic resident participation and democratic control and management is fundamental to community-focused development.



Both Option 1: Tower and Option 2: Three Level Walk Up have been assessed to make sure their position within the context of the site both meets the objectives of the precinct development and the objectives of this pilot project. The reasoning for why the chosen site is preferred for the community-focused development has been based on the following:

- Community activities of building have a connection to public community spaces.
- Passive surveillance on southern facade through active common spaces.
- Laneways through the building and around the edges of the building enhance the community activation.
- Building built at the same time as the library as a complimentary anchor project. Co-design can happen simultaneously.
- Other buildings within the development keep great views to the Waitakare Ranges.
- Best position for tower next to the town square as it has a relationship to the other high buildings next to it.
- Overshadowing of other buildings minimised by placing on southern edge.

## 4.2 Site Programming

The base programme for each option is the same. The programme has been designed around the internationally-accepted key principles of community-led development, while considering the local context. Building a sense of belonging for both the residents and the broader community has been placed at the forefront of the designed programme.

The four main activities with the programme are:

- **Residential with a range of apartment sizes to cater for a diverse mixture of people** (cultures, household composition and ages). Orientation towards the north and enabling each apartment to have maximum sunlight has been a key driver for the arrangement of the buildings.
- **Flexible floor plates give the residential mix adaptability** to easily accommodate the needs of the future residents found during the co-design process.
- **Shared common spaces that are oriented to enhance social interaction** and designed with people's wellbeing in mind. Places to sit and read a book in the sun, spaces designed to share meals and spaces designed for chance encounters enable people to have a sense of belonging within their community.
- **Community orientated commercial spaces** give the ground floors of the buildings active edges and create an active relationship with the town centre and the library surrounding it. Relationships between these spaces and the shared options spaces (event space, tool share/workshop, flexible space, etc...) are key to give both the community and the residents a place they can enjoy being a part of.

Often coworking or cooperative businesses are included in this kind of development. **In this case study, an early childhood centre has been included to assist with offsetting the cost of the apartments.** There is strong demand for new quality early childhood education (ECE) spaces in Avondale. A lot of the existing stock is dated and in need of investment. A 2020 supply/demand report, prepared by Establish, uses geospatial and statistics information to create a net latent demand model for licenced early childhood spaces based on demographics, projections, existing provision and future supply. Establish recommends a licence size of circa 70 children for this area of Avondale.

### Typical shared spaces:

- Outdoor space (i.e. BBQ and grass areas or terrace space Individual green space is sacrificed to save space).
- Centralised laundry and washing lines (saves space in each dwelling and encourages social interaction with other residents).
- Kitchen/dining area (also serves as the community's main meeting space).
- Bike parking (sometimes with maintenance areas).
- Flexible or break-out spaces (typically spaces that can be rearranged for different functions such as community events, fitness classes, or used as a lounge/relaxation area etc...).
- Building Services and Infrastructure (i.e. a rubbish room, cleaning cupboard, parcel delivery room, mailboxes etc...).

**Optional shared spaces:**


















- Guesthouse (enables each resident to have access to a guest bedroom without the individual costs associated with one. Guest houses can also be Air BnB's while not in use for collective income).
- Tool shed and/or makerspace.
- Wellness centre.
- Dedicated fitness room (could also include multi-purpose spaces i.e. for yoga/meditation).
- Bathhouse (baths taken out of individual dwellings to reduce space and structural weight).
- Co-working space (for the residents and/or commercially-run for the community).
- Library.
- Games room.
- Community gardens (edible or floral).
- Café (sometimes run by the residents).
- Childcare (sometimes run by the residents).

**Shared Infrastructure (pooled utilities can create lower individual bills):**

- Electricity (solar or from the main grid).
- Internet.
- Waste management.
- Water collection.
- Charging stations (i.e. cars and bikes).

**4.3 Precedent Studies**

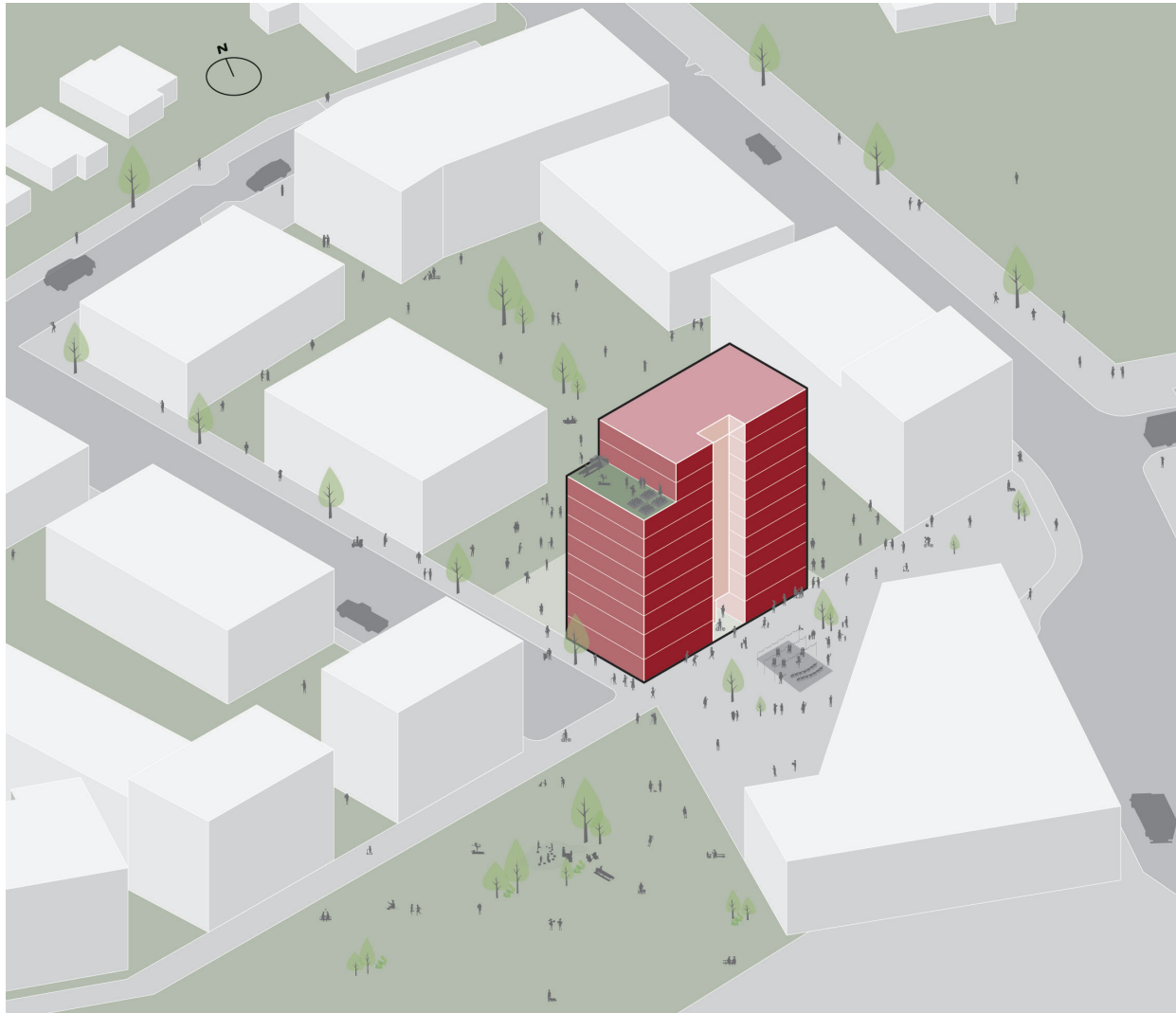
While a local response is essential, the key ideas embedded within this project are underpinned by an understanding of exemplar community focused housing models from multiple study tours to Europe. These images below are from these experiences and represent a vision for how this project could develop.

<b>Shared Spaces</b>						
	<b>Community Multipurpose Spaces</b> R50, Berlin	<b>Roofgardens &amp; Shared Amenities</b> Spreefeld, Berlin	<b>Shared Storage</b> LiSA, Vienna	<b>Shared Library</b> Kalkbreite, Zürich	<b>Shared Workshop &amp; Tool Storage</b> Wohnprojekt Wien, Vienna	<b>Play Spaces</b> Wohnproekt Wien, Vienna
<b>Interior Spaces</b>						
	<b>Open Living Spaces</b> R50, Berlin	<b>Open Living Spaces</b> R50, Berlin	<b>Carefully Planned Internal Circulation</b> Kalkbreite, Zürich	<b>Views &amp; Natural Light for Bedrooms Prioritised</b> Big Yard, Berlin	<b>Integrated Storage to Personalise Spaces</b> Wohnprojekt Wien, Vienna	<b>Careful Consideration of Natural Light &amp; Circulation</b> Mehr als Wohnen, Zürich
<b>Exterior Spaces</b>						
	<b>Life Between Buildings</b> Older Women's Cohousing, London	<b>Open Courtyards Connecting Buildings</b> Kalkbreite, Zürich	<b>Well-Connected Edges With Public Spaces</b> Mehr als Wohnen, Zürich	<b>Local Materiality</b> Older Womens Cohousing, London	<b>Careful Façade Treatment</b> R50, Berlin	<b>Shared Interior Courtyard &amp; Micro Open Spaces</b> Big Yard, Berlin

As outlined in Section 1, two different building typologies (a 10-storey tower and 3-storey apartment development/multiple buildings) have been considered in the process of choosing a case study project to recommend. The two tenure options tested for each of the different typologies are unit title ownership and cooperative ownership. The option to have the land put in a Community Land Trust, rather than included as part of the unit price, is also tested. This gives a total of five variations being modelled.

## 4.4 OPTION 1 TOWER

### Summary:



### KEY STATISTICS

Site area	948m <sup>2</sup>
Gross floor area	4286m <sup>2</sup>
NSA residential	3,094m <sup>2</sup>
NSA commercial	286m <sup>2</sup>

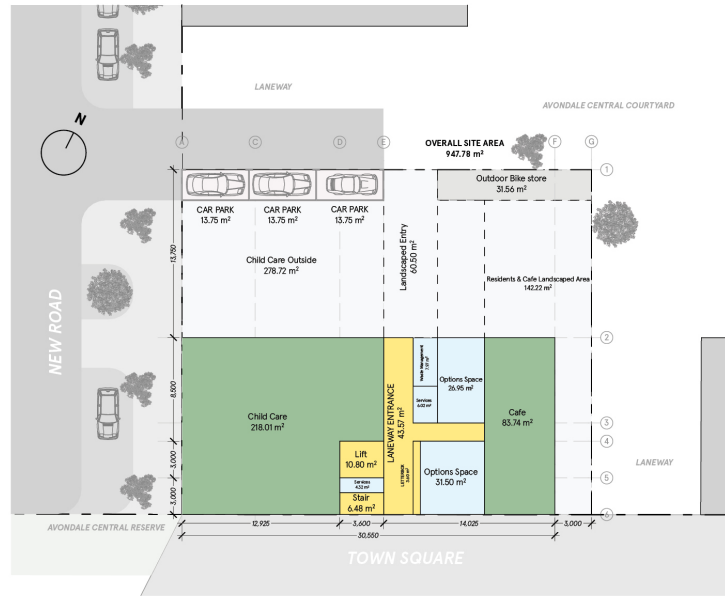
### PROGRAMME

Total apartments	53
Micro apartments	13
One bedroom	10
Two bedroom, One bathroom	17
Two bedroom, Two bathroom	9
Three bedroom, 1.5 bathroom	4

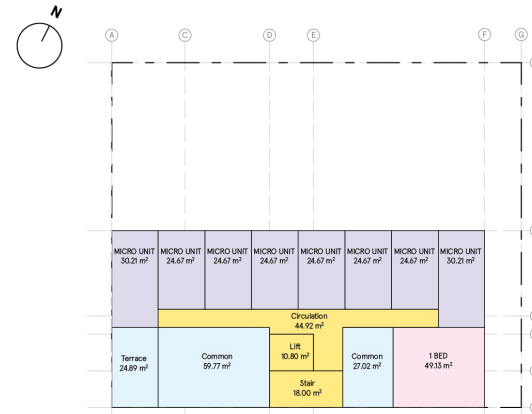
Shared spaces total	294m <sup>2</sup>
Options space	76m <sup>2</sup>
First floor common space	112m <sup>2</sup>
Shared laundry	43m <sup>2</sup>
Shared kitchen	46m <sup>2</sup>
Shared terrace	87m <sup>2</sup>
Commercial spaces	284m <sup>2</sup>
Café	66m <sup>2</sup>
Childcare	218m <sup>2</sup>

Note: The programme for the Tower remains the same, regardless of the ownership structures (explored through Option 1A and 1B)

Tower plans:

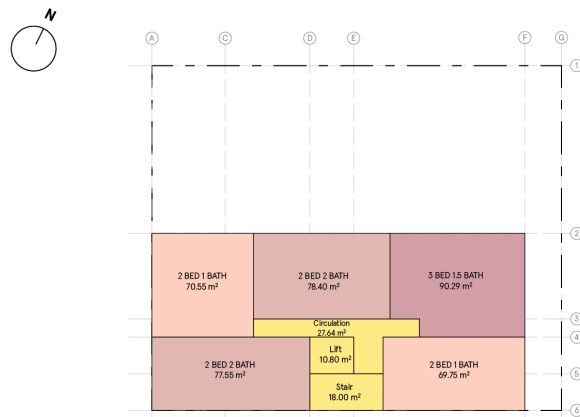


GROUND FLOOR

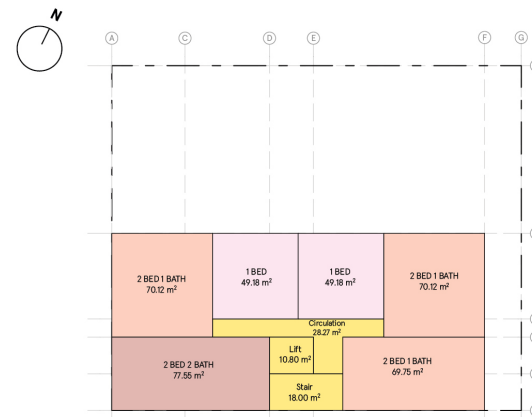


1ST FLOOR

- Commercial
- Circulation
- Shared Space
- Micro Unit
- 1 Bedroom 1 Bathroom
- 2 Bedroom 1 Bathroom
- 2 Bedroom 2 Bathroom
- 3 Bedroom 1.5 Bathroom

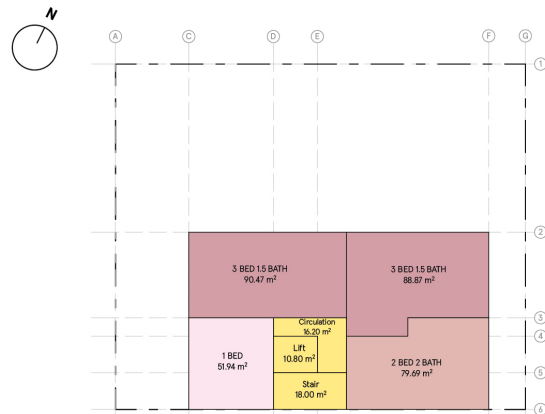
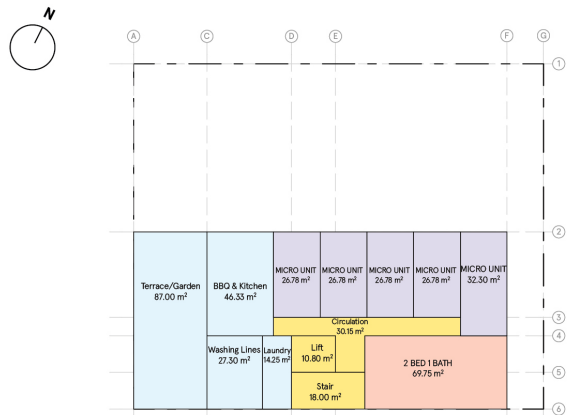


2ND & 3RD FLOORS

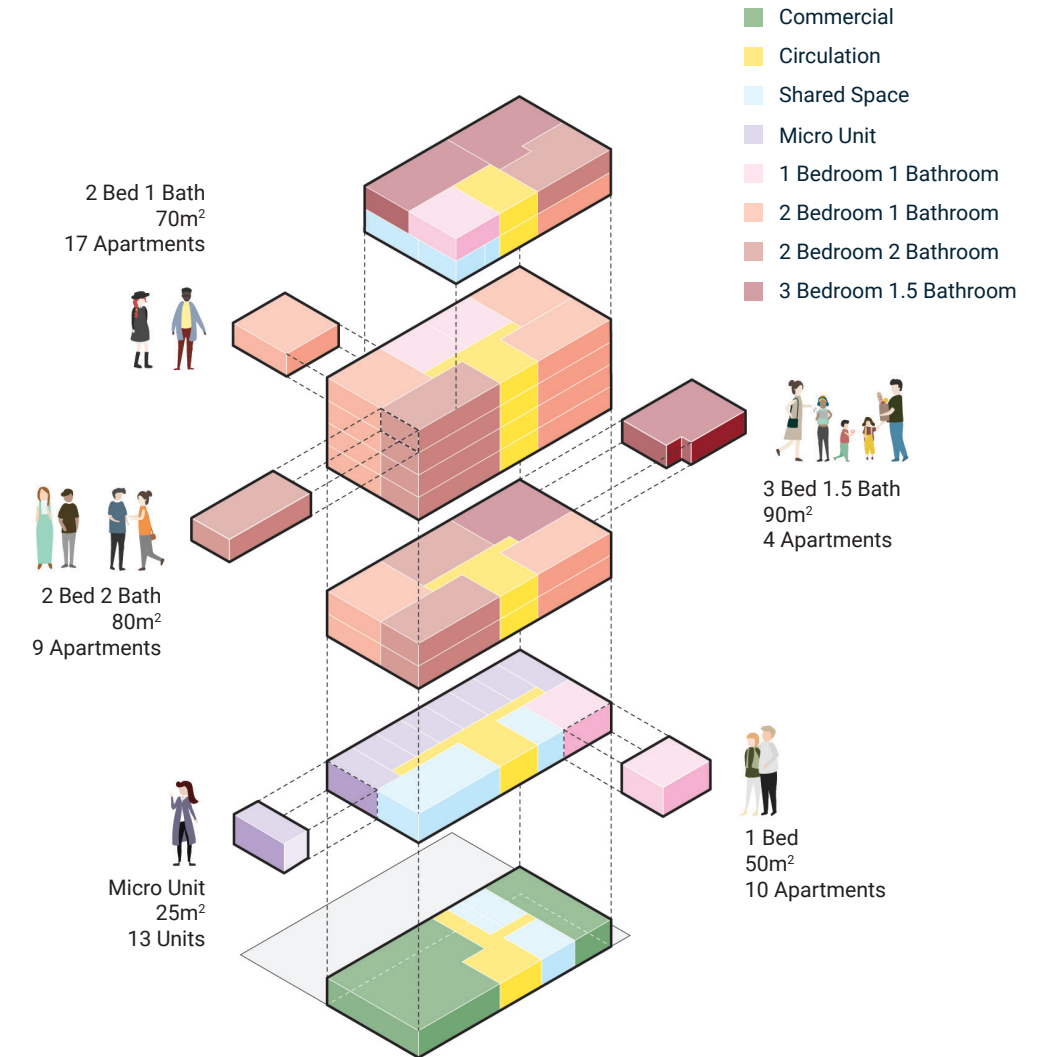


4TH, 5TH, 6TH & 7TH FLOORS

### Tower plans:



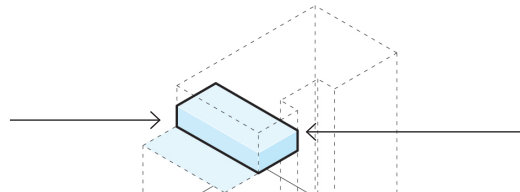
### Tower apartment mix:



### Tower shared spaces:

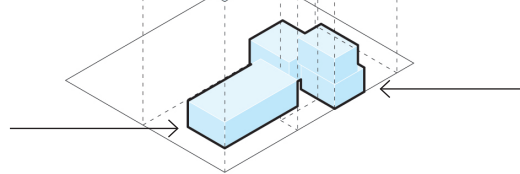
#### LAUNDRY 8th Floor

Laundry facilities are removed from individual apartments and one large shared facility is provided. This increases social interactions within the building and reduces the overall cost of the build.



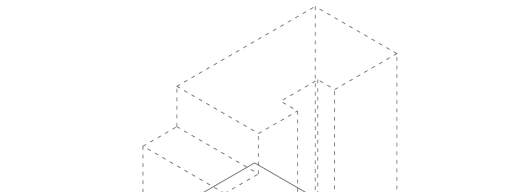
#### KITCHEN, DINING and TERRACE 8th Floor

Shared kitchen and dining spaces connected to an outdoor terrace. The terrace can incorporate productive gardens or play areas for children.



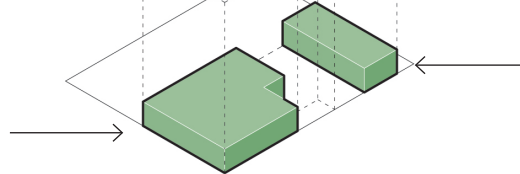
#### COMMONS Ground Floor

A common area for all residents to play table tennis, lounge in a communal library, and have a place to relax outside of their individual apartments. This common space creates an active edge to the town square.



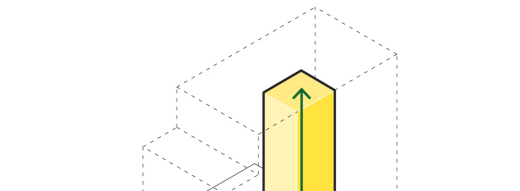
#### OPTIONS SPACE Ground Floor

Ground floor options space to be determined by the users. These could be workshops, tool share, wellbeing, or flexible event spaces etc...



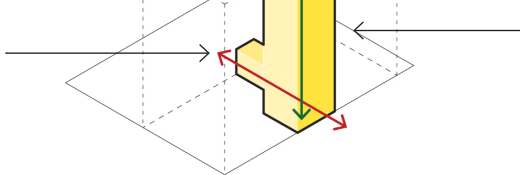
#### CHILDCARE CENTRE Ground Floor

A childcare centre gives the families within the building an option for childcare.



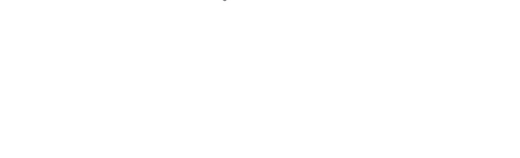
#### CAFÉ Ground Floor

A café on the ground floor activates the square and helps engage with the wider community.



#### HORIZONTAL CIRCULATION

Laneway through the building links to the wider site and activates the ground floor of the building.



#### VERTICAL CIRCULATION

The ample circulation promotes being active. It overlooks the town square and increases passive surveillance/safety. A feature staircase leads to communal space on the first floor, enticing people to use the common areas. This building is also 100% accessible with a lift for each floor.



Shared gardens.



Active façade facing town square.



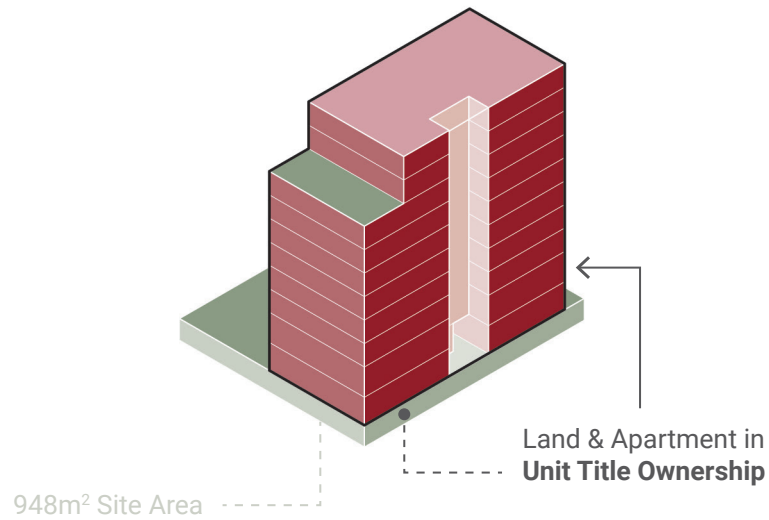
Feature staircase and communal library.



### OPTION 1A

#### Tower (10 Stories) Unit Title Ownership

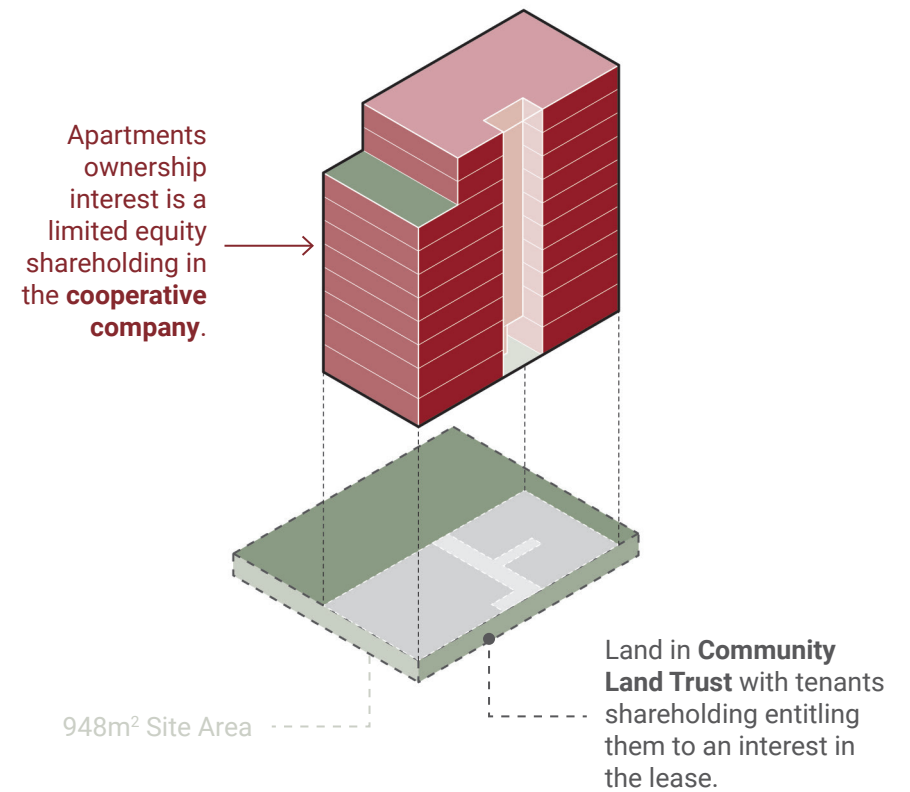
Land Included in the Purchase Price



### OPTION 1B

#### Tower (10 Stories) Limited Equity Cooperative Ownership, with land in a Community Land Trust

With Ground Rent Paid



## OPTION 1A continued

### Tower (10 Stories) Unit Title Ownership

**Total Project Cost:** \$26.1 million

**Land Cost Per Unit:** **\$25,042 excl. GST**

#### Sale Price:

Micro Apartments	\$315,613
One Bedroom	\$389,574
Two Bedroom, One Bathroom	\$545,505
Two Bedroom, Two Bathroom	\$603,120
Three Bedroom, 1.5 Bath room	\$711,816

#### Key Traits:

- Approx. land area 948sqm at \$1,400/sqm
- Approx. 53 units.
- Unit title ownership structure may cause issues with micro unit sales.
- Provides a one-off 28% below market rate product.
- 9% below Kiwibuild prices.
- Does not provide perpetual affordability.
- Limited ongoing community role in governance and management.

#### Development Costs for the Tower:

	(\$m)
TOTAL LAND ACQUISITION COSTS	\$1.3
TOTAL PLANNING AND DESIGN	\$1.8
TOTAL STATUTORY AUTHORITIES	\$1.2
TOTAL HOLDING COSTS	\$0.1
TOTAL SALES, LEASING & MARKETING COSTS	\$0.6
TOTAL FINANCE COSTS	\$2.2
TOTAL DEVELOPMENT MANAGEMENT AND LEGAL COSTS	\$0.7
TOTAL PROJECT CONTINGENCY COSTS	\$1.2
TOTAL CONSTRUCTION COSTS (incl construction contin)	\$17.0
<b>TOTAL PROJECT COSTS</b>	<b>\$26.1</b>
<hr/>	
Total project revenue (net of settlement cost, ex GST)	\$26.1
<hr/>	
Project profit	\$0.1
Return on cost (profit/risk factor)	0.2%

#### Capital Stack and Finance Assumptions:

**Land** – The land sale rate across both options has been undertaken at the same rate of \$1,400/m<sup>2</sup> excl. GST.

**Funding** – A 30/70 equity / Senior debt split in the funding of the works has been assumed.

An interest rate of 10% per annum has been allowed on the equity.

This is split via land value and working capital to reach the total of 30% equity.

Depending on how the land is treated (bought, not bought, deferred settlement, etc.) there is currently additional cost towards to the land of:  
Tower = \$309,608 excl. GST.

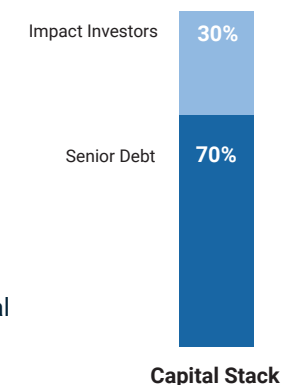
#### If the land payment could be deferred, this funding cost could be used to:

- Increase the interest rate on the working capital portion of the loan.
- Increase the land value price.
- Reduce the overall development cost.

#### Bank funding during construction has been assumed at:

Establishment fees = 1% loan value,  
BG and Line Fees 1% per annum for 16 months.  
Interest rate 4.5% (noting this is 1% above the current forecast rate).

**The establishment fee for a project such as this needs to be negotiated.**



**OPTION 1B continued**

**Tower (10 Stories) Limited Equity Cooperative Ownership, with land in a Community Land Trust**

**Total Project Cost:** \$28.1 million

**Weekly Payment:**

Micro Apartments	\$342/week
One Bedroom	\$526/week
Two Bedroom, One Bathroom	\$621/week
Two Bedroom, Two Bathroom	\$710/week
Three Bedroom, 1.5 Bathroom	\$789/week

**Key Traits:**

- Approx. land area 948sqm.
- Approx. 53 units.
- Shared common space, childcare centre
- Ownership interest is a shareholding in the cooperative company.
- Payment to CLT for ground rent ratcheting up over time.
- Provides a 5% below market rate product equivalent at year one.
- Rent gets cheaper over time, in real terms, due to restrictions in rent rises (agreed in contracts).
- Weekly rental payments include all costs associated with living in the building (body corporate fees are included in this).
- Provides a new tenure model in between a rental and ownership.
- Operational cost savings go to the tenant bottom line, not third party.
- Perpetual affordability through contractual agreements.

**Ground Rent Assumptions:**

- Payment of \$26,500 at year 1 for ground lease, increasing by 10k p/a until year 5 (then increase to 5% p/a).

**This is a variable that can be adjusted.**

**Residual Value (includes building):**

- Residual land value \$33m at year 10.
- Terminal cap rate of 5.75%.

**Capital Stack and Finance Assumptions:**

**Bank Finance (Senior Lender) 65%**

- Permanent financing rate 3.3%.
- 10-year term/35-year amortisation.
- Loan origination fees 275k.
- Annual debt service (principle and interest) 880k.
- Debt Service Coverage Ratio = 1.68.

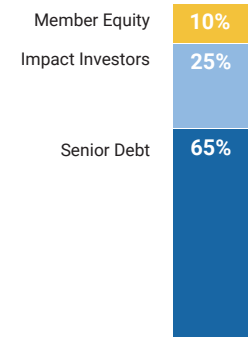
**Non-Bank Finance (Impact Investors) 25%**

- 10-year term financing.
- Interest rate 7%.
- Annual payment to equity partners 490k.

**Cooperative Member Equity (Shareholders) 10%**

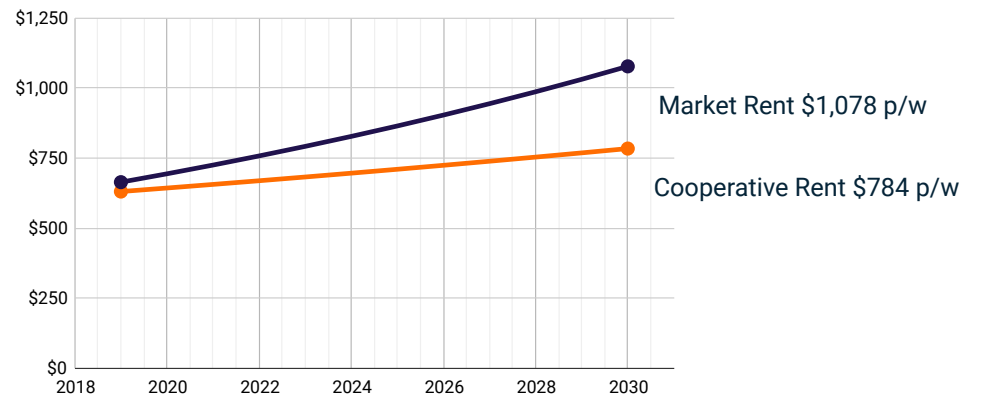
- Share value 55k.
- Dividend 2% p/a to the shareholder (accumulates to \$11,000 over 10 years).
- Annual payment to coop shareholders 56k.

**This is a variable that can be adjusted.**



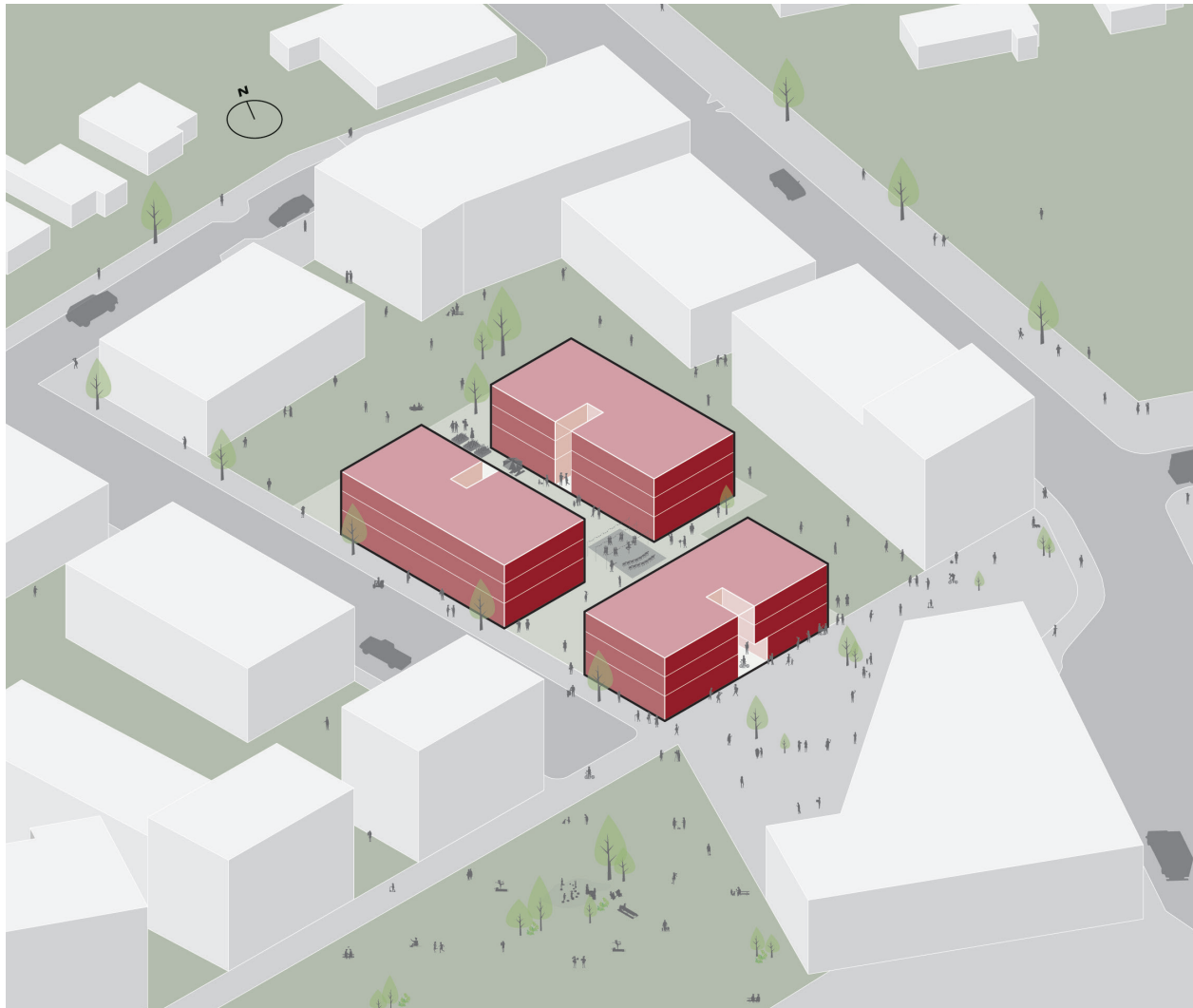
Capital Stack

**Affordability over time:**



## 4.5 OPTION 2 THREE-LEVEL WALK-UP

### Summary:



### KEY STATISTICS

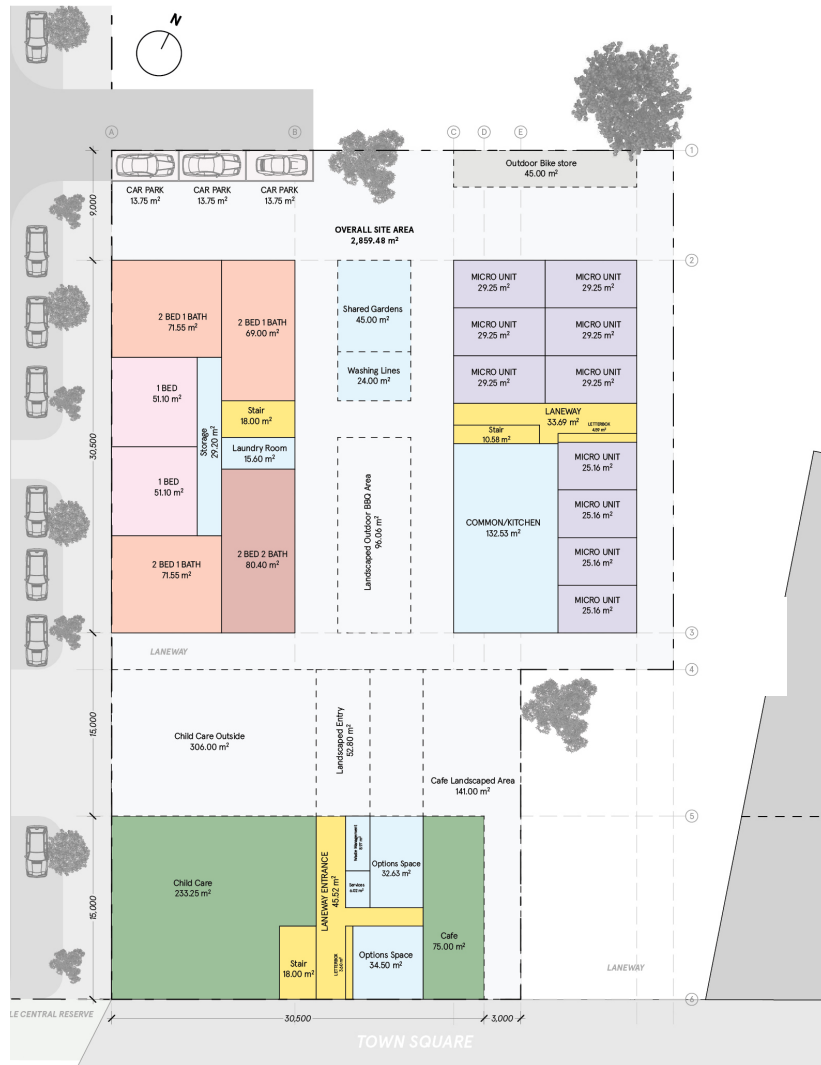
<b>SITE AREA</b>	2859m <sup>2</sup>
<b>GFA</b>	4,118m <sup>2</sup>
<b>NSA RESIDENTIAL</b>	3,099m <sup>2</sup>
<b>NSA COMMERCIAL</b>	308m <sup>2</sup>

### PROGRAMME

Total apartments	53
Micro apartments	14
One bedroom	10
Two bedroom, One bathroom	17
Two bedroom, Two bathroom	9
Three bedroom, 1.5 bathroom	3
Shared spaces total	303m <sup>2</sup>
Options space	67m <sup>2</sup>
Shared laundry	30m <sup>2</sup>
Shared kitchen	132m <sup>2</sup>
Shared outdoor space	165m <sup>2</sup>
Commercial spaces	308m <sup>2</sup>
Café	75m <sup>2</sup>
Childcare	233m <sup>2</sup>

Note: The programme for the 3-storey remains the same, regardless of the ownership structures (explored through Options 2A 2B and 2C)

### Three-level walk-up plans:



GROUND FLOOR



1ST FLOOR

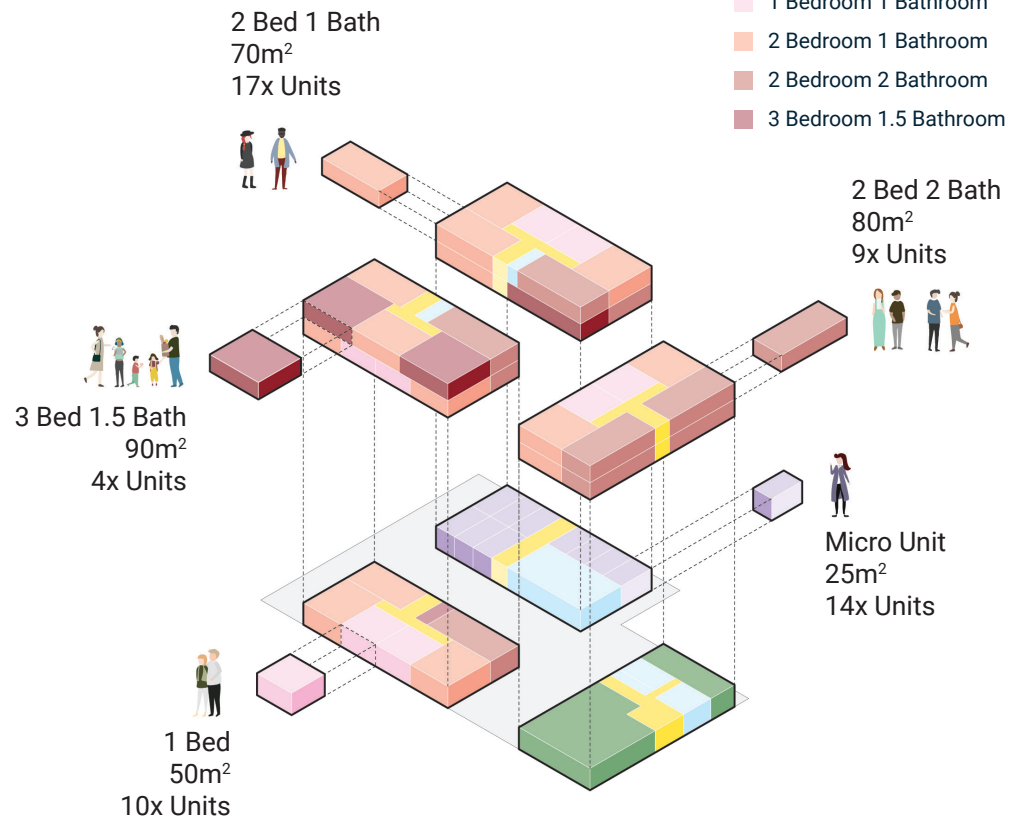
- Commercial
- Circulation
- Shared Space
- Micro Unit
- 1 Bedroom, 1 Bathroom
- 2 Bedroom, 1 Bathroom
- 2 Bedroom, 2 Bathroom
- 3 Bedroom, 1.5 Bathroom

### Three-level walk-up plans:

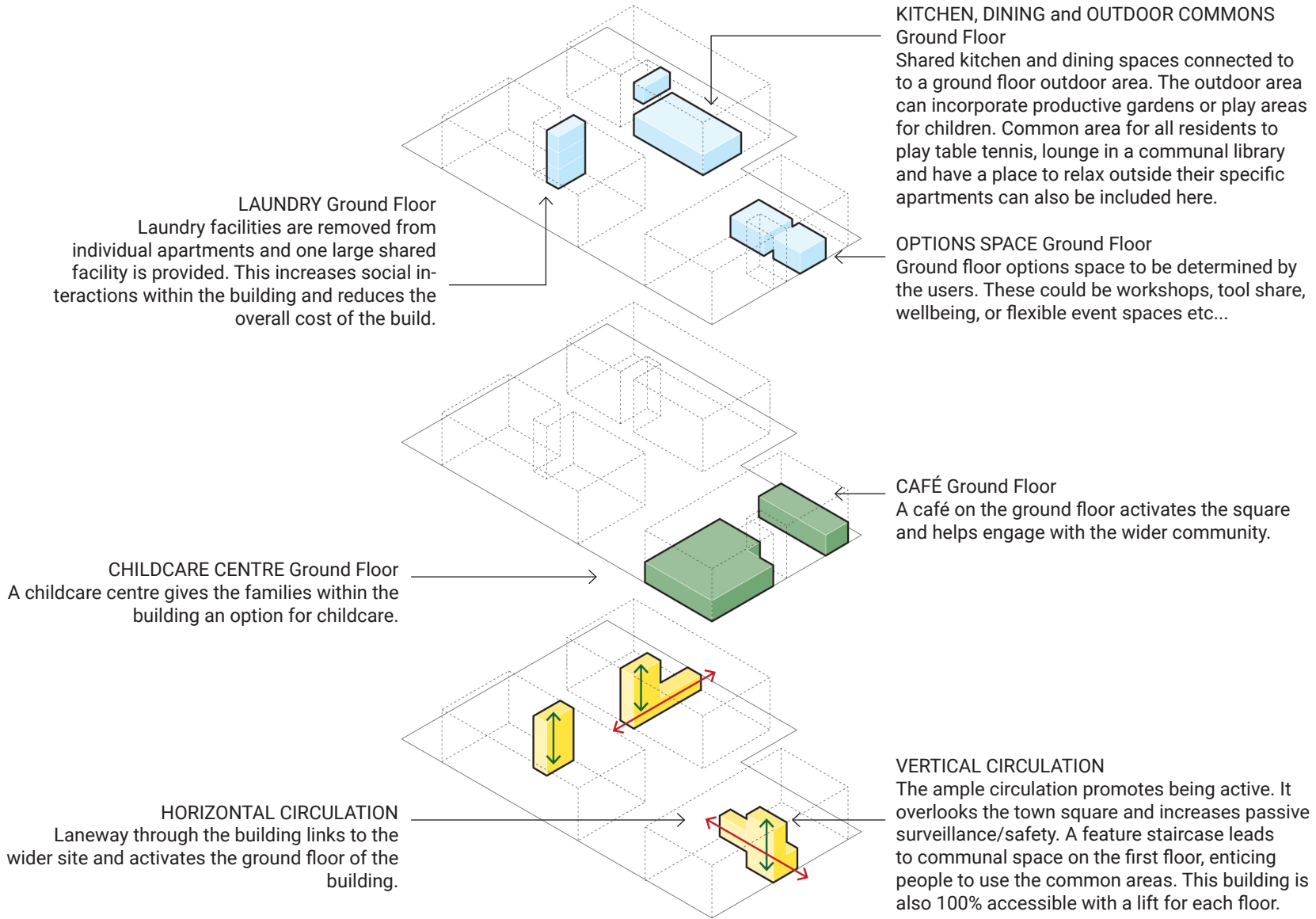


### Three-level walk-up apartment mix:

- Commercial
- Circulation
- Shared Space
- Micro Unit
- 1 Bedroom 1 Bathroom
- 2 Bedroom 1 Bathroom
- 2 Bedroom 2 Bathroom
- 3 Bedroom 1.5 Bathroom



### Tower shared spaces:



Shared gardens.



Active façade facing town square.

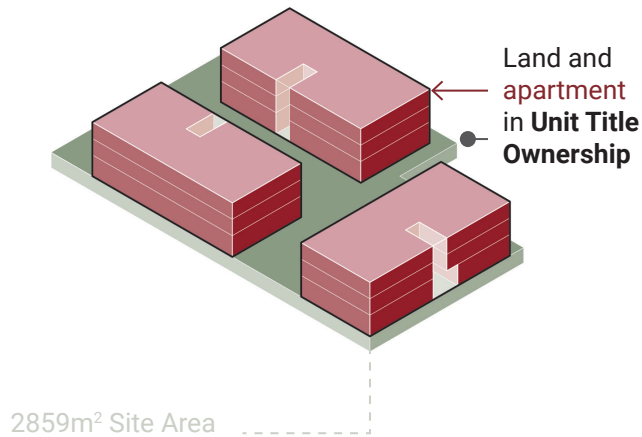


Feature staircase and communal library.

### OPTION 2A

Three-level Walk-up with Unit Title Ownership, with land included in the price of the unit

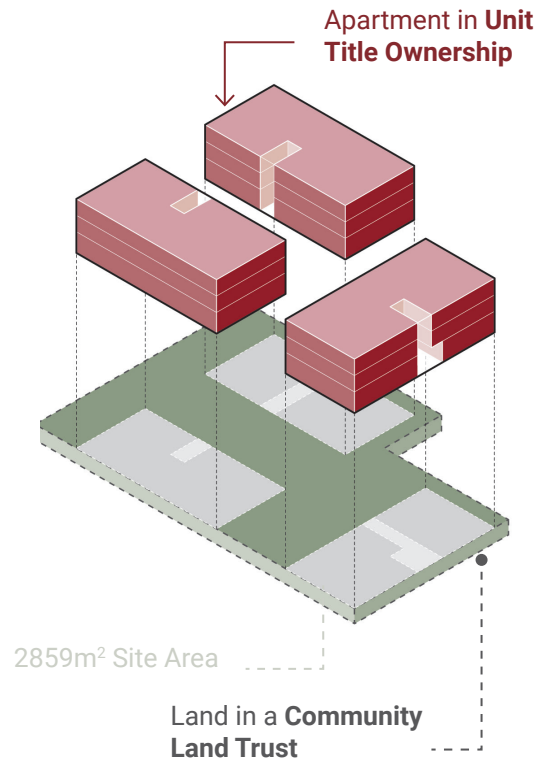
Land Included in the Purchase Price



### OPTION 2B

Three-level Walk-up with Unit Title Ownership, with land in a Community Land Trust

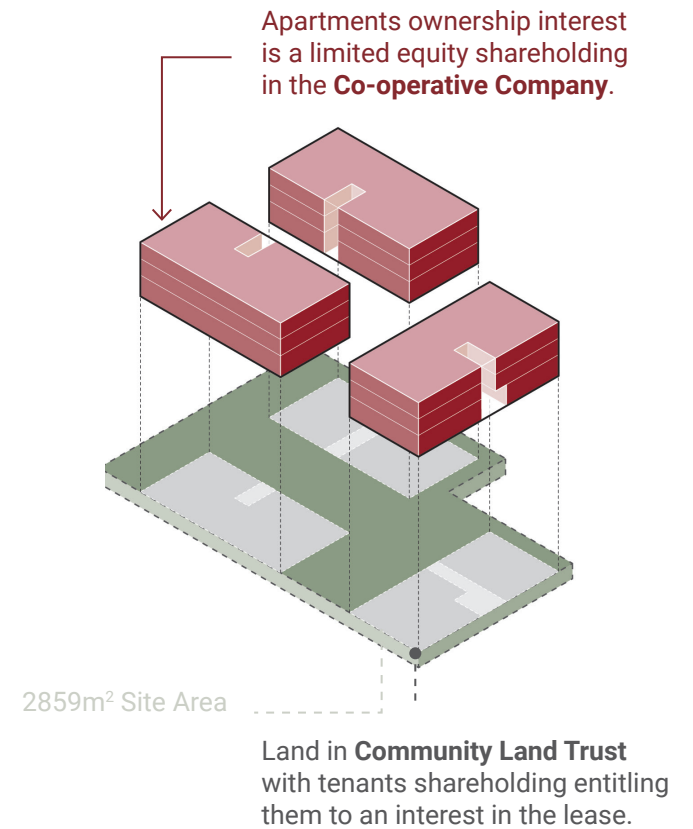
With Ground Rent Paid



### OPTION 2C

Three-level Walk-up with Limited Equity Cooperative Ownership, with land in a Community Land Trust

With Ground Rent Paid





**OPTION 2A continued**

Three-level Walk-up with Unit Title Ownership,  
with land included in the price of the unit

**Total Project Cost:** \$26.9 million

**Land Cost Per Unit:** \$25,042 excl. GST

**Sale Price:**

Micro Apartments	\$317,590
One Bedroom	\$407,778
Two Bedroom, One Bathroom	\$566,615
Two Bedroom, Two Bathroom	\$649,233
Three Bedroom, 1.5 Bathroom	\$744,600

**Key Traits:**

- Approx. land area 2859sqm.
- Approx. 53 units.
- Shared common space, childcare centre.
- Payment for land to Panuku for the land \$1,400sqm.
- Provides a once off 25% below market rate equivalent product.
- 5.6% below Kiwibuild prices.
- Does not provide perpetual affordability, discount is only provided to first buyer.

**Development Costs for the Three-storey Walk-up:**

	(\$m)
TOTAL LAND ACQUISITION COSTS	\$4.0
TOTAL PLANNING AND DESIGN	\$1.6
TOTAL STATUTORY AUTHORITIES	\$1.2
TOTAL HOLDING COSTS	\$0.1
TOTAL SALES, LEASING & MARKETING COSTS	\$0.7
TOTAL FINANCE COSTS	\$2.5
TOTAL DEVELOPMENT MANAGEMENT AND LEGAL COSTS	\$0.7
TOTAL PROJECT CONTINGENCY COSTS	\$1.2
TOTAL CONSTRUCTION COSTS (incl construction contin)	\$14.9
<b>TOTAL PROJECT COSTS</b>	<b>\$26.8</b>
<b>Total project revenue (net of settlement cost, ex GST)</b>	<b>\$26.9</b>
<b>Project profit</b>	<b>\$0.1</b>
<b>Return on cost (profit/risk factor)</b>	<b>0.5%</b>

**OPTION 2B continued**

Three-level Walk-up with Unit Title Ownership,  
with land in a Community Land Trust

**Total Project Cost:** \$21.5 million

**Annual Ground Rent Paid to the CLT:** \$80,000 at year 1

**Sale Price:**

Micro Apartments	\$254,072*
One Bedroom	\$301,940*
Two Bedroom, One Bathroom	\$434,408*
Two Bedroom, Two Bathroom	\$475,779*
Three Bedroom, 1.5 Bathroom	\$600,300*

\*Body Corporate fees and a land payment would need to be added on top of this price.

**Key Traits:**

- Approx. land area 2859sqm.
- Approx. 53 units.
- Shared common space, childcare centre.
- Annual payment for ground rent starting at \$80,000 year 1, ratcheting up over time.
- Provides a 42% below market rate equivalent product.
- 27% below Kiwibuild prices.
- Provides perpetual affordability as resale restrictions attached.

**Development Costs for the Three-storey Walk-up:**

	(\$m)
TOTAL LAND ACQUISITION COSTS	\$0.0
TOTAL PLANNING AND DESIGN	\$1.6
TOTAL STATUTORY AUTHORITIES	\$1.2
TOTAL HOLDING COSTS	\$0.1
TOTAL SALES, LEASING & MARKETING COSTS	\$0.5
TOTAL FINANCE COSTS	\$1.4
TOTAL DEVELOPMENT MANAGEMENT AND LEGAL COSTS	\$0.5
TOTAL PROJECT CONTINGENCY COSTS	\$1.2
TOTAL CONSTRUCTION COSTS (incl construction contin)	\$14.9
<b>TOTAL PROJECT COSTS</b>	<b>\$21.4</b>
<b>Total project revenue (net of settlement cost, ex GST)</b>	<b>\$21.5</b>
<b>Project profit</b>	<b>\$0.0</b>
<b>Return on cost (profit/risk factor)</b>	<b>0.2%</b>

**OPTION 2A continued**

**Three-level Walk-up with Unit Title Ownership, with land included in the price of the unit**

**Capital Stack and Finance Assumptions:**

**Land** – The land sale rate across both options has been undertaken at the same rate of \$1,400/m<sup>2</sup> excl. GST.

**Funding** – A 30/70 equity / Senior debt split in the funding of the works has been assumed.

An interest rate of 10% per annum has been allowed on the equity.

This is split via land value and working capital to reach the total of 30% equity.

Depending on how the land is treated (bought, not bought, deferred settlement, etc.) there is currently additional cost towards to the land of:  
Thee-storey = \$933,940 excl. GST.

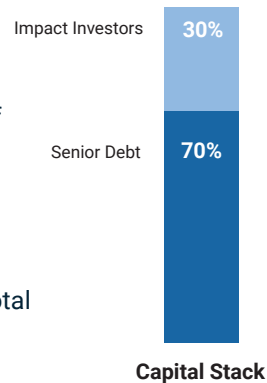
**If the land payment could be deferred, this funding cost could be used to:**

- Increase the interest rate on the working capital portion of the loan.
- Increase the land value price.
- Reduce the overall development cost.

**Bank funding during construction has been assumed at:**

Establishment fees = 1% loan value,  
BG and Line Fees 1% per annum for 16 months.  
Interest rate 4.5% (noting this is 1% above the current forecast rate).

**The establishment fee for a project such as this needs to be negotiated.**

**OPTION 2B continued**

**Three-level Walk-up with Unit Title Ownership, with land in a Community Land Trust**

The assumptions for 2B are the same as for 2A, except that a ground rent is paid, of 80k at year 1, instead of paying \$1,400/m<sup>2</sup> excl. GST. for the land.

## OPTION 2C Continued

### Three-level Walk-up with Limited Equity Cooperative Ownership, with land in a Community Land Trust

**Total Project Cost:** \$25.5 million

**Weekly Payment:**

Micro Apartments	\$324/week
One Bedroom	\$498/week
Two Bedroom, One Bathroom	\$588/week
Two Bedroom, Two Bathroom	\$673/week
Three Bedroom, 1.5 Bathroom	\$748/week

**Key Traits:**

- Approx. land area 2859sqm.
- Approx. 53 units.
- Shared common space, childcare centre.
- Ownership interest is a shareholding in the cooperative company.
- Payment to CLT for ground rent ratcheting up over time.
- Provides a 10% below market rate equivalent product at year one.
- Rent gets cheaper over time, in real terms, due to restrictions in rent rises (agreed in contracts).
- Weekly rental payments include all costs associated with living in the building (body corporate fees are included in this).
- Provides a new tenure model in between a rental and ownership
- Operational cost savings go to the tenant bottom line, not third party.
- Perpetual affordability through contractual agreements.

**Ground Rent Assumptions:**

- Payment of \$80,000 at year 1 for ground lease.
- Increase by 10k p/a until year 5 (then increase to 5% p/a).

**This is a variable that can be adjusted.**

**Residual value (includes building):**

Residual land value \$29.1m at year 10.  
 Terminal cap rate of 5.75%.  
 Net proceeds from sale \$5.3m at year 10.

**Capital Stack and Finance Assumptions:**

**Bank Finance (Senior Lender) 65%**

- Permanent financing rate 3.3%.
- 10-year term/35-year amortisation.
- Loan origination fees 265k.
- Annual debt service (principle and interest). 800k
- Debt Service Coverage Ratio = 1.65.

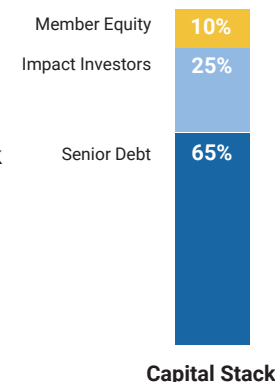
**Non-Bank Finance (Impact Investors) 25%**

- 10-year term financing.
- Interest rate 7%.
- Annual payment to equity partners 446k.

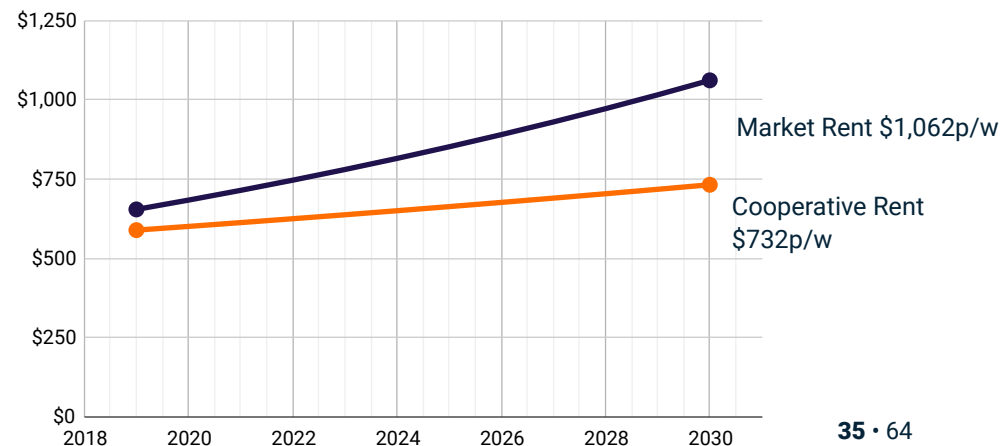
**Cooperative Member Equity (Shareholders) 10%**

- Share value 50k.
- Annual Interest rate 2%.
- Annual payment to coop shareholders 51k.

**This is a variable that can be adjusted.**



**Affordability over time:**



## 4.6 Variables Impacting Cost

All standard development costs are included in the financial feasibilities.

The following are variables that can be changed in the financial model, that directly impact on the level of affordability:

- Co-op shareholder dividend of 2% could be decreased or increased.
- Ground lease rate could be changed.
- More mixed use / increase non-residential uses.
- Car Parking removed / centralised on site.
- Reduced Community Space.
- Kāinga Ora involvement – could they retain the land, provide guarantees or gap finance?
- Use of a new prefab system on a precinct-wide scale.
- IRRS and CHP involvement could be tested with Kāinga Ora.
- Build Partner Budget and Integrated delivery methodology.
- A mixed tenure, multi-development precinct approach.

In the list below are mechanisms that are used internationally to reduce the cost of housing. These are not common, or do not exist in New Zealand currently. Further work is needed to understand their impact on the development costs, and subsequent level of affordability that each option could offer.

The following points could be considered:

- Ability to reduce development contributions and consenting fees and levels of Council Rates paid.
- How GST impacts project feasibility. Assumptions currently include GST being paid during construction, and once operating (for the cooperative). There are often waivers or special conditions for equivalent taxes overseas.
- Potential impacts of mixed tenure options included in the feasibility (e.g. could there be a GST exemption on market housing, when subsidising below market?)
- Impact of a longer amortization schedule (e.g. 35 years versus 50 years lowers annual principal payment – how much is owed to the bank at the end of the project). Long-term social impact bonds could be explored.

## 4.7 Summary of Prices

Table 2 compares prices of proposed case study and market rental or ownership.

Tenure	House sales and unit prices			Weekly payments (Rental or mortgage repayment)	
<p><b>Current market median house</b> \$766,500<sup>1</sup> / \$631,500<sup>2</sup></p> <p><b>Lower quartile house price in Whau Local Board</b> \$656,200 (2018) Auckland \$845,000<sup>2</sup></p>	<p><b>Est** market sale price Tower (in 3 years)</b> Micro \$394,516 1 bed \$486,967 2 bed, 1 bath \$681,881 2 bed, 2 bath \$753,900 3-bed \$889,770</p> <p>(*Assumed additional 25% profit over and above case study prices )</p>	<p><b>Est** market sale price 3-storey (in 3 years)</b> Micro \$396,987 1 bed \$509,722 2 bed, 1 bath \$708,268 2 bed, 2 bath \$811,541 3-bed \$930,750</p> <p>(*Assumed additional 25% profit over and above case study prices )</p>		<p><b>Current median rent in Avondale</b> \$554<sup>1</sup> / \$550<sup>4</sup></p> <p>Notes: Whau Median Household Income \$63,900<sup>3</sup> Auckland median household income \$90,900<sup>5</sup></p>	<p><b>Comparable market rental of apartments in 3 years, per week</b> Micro \$360 p/w 1 bed \$554 p/w 2 bed, 1 bath \$654 p/w 2 bed, 2 bath \$748 p/w 3 bed \$832 p/w</p>
<b>Kiwibuild</b>	1 bed \$500,000 2 bed \$600,000 3 bed \$650,000	1 bed \$500,000 2 bed \$600,000 3 bed \$650,000			
<p><b>Unit Title ownership Ockham – The Set (Avondale)</b> One bed \$555,000 Two bed \$760,000</p>	<p><b>10-storey tower unit title with land included Option 1A</b> (28% below market) (9% below kiwibuild) Micro \$315,613 1 bed \$389,574 2 bed,1 bath \$545,505 2 bed, 2 bath \$603,120 3 bed \$711,816</p>	<p><b>3-storey unit title with land included Option 2A</b> (25% below market) (5.6% below kiwibuild) Micro \$317,590 1 bed \$407,778 2 bed, 1 bath \$566,615 2 bed, 2 bath \$649,233 3 bed \$744,600</p>	<p><b>3-storey unit title with land in CLT Option 2B</b> (42% below market) (27% below kiwibuild) Micro \$254,072 1 bed \$301,940 2 bed, 1 bath \$434,408 2 bed, 2 bath \$475,779 3 bed \$600,300</p>	<p>Example of weekly payments for unit title ownership in the Tower 2 bed, 1 bath 10% deposit = <b>\$54,550</b> 490,955 mortgage with 3% interest = <b>\$14,728</b> Weekly payment = <b>\$283</b> to service interest only <b>Plus body corp fees**</b></p>	<p><b>**Where the land was in a trust, and not purchased with the unit title, a percentage of the ground rent will be included in each of the resident's body corporate fees.</b></p>
<p><b>Cooperative Ownership</b> 55k (per shareholding) to 'buy in' to the cooperative</p>			<p><i>Weekly cooperative payments include all costs associated with living in the building, including the ground rent paid for the land.</i></p>	<p><b>10-storey tower cooperative with land in CLT Option 1B</b> (5% below market rates) Micro \$342 p/w 1 bed \$526 p/w 2bed, 1bath \$621 p/w 2bed 2bath \$710 p/w 3-bed \$789 p/w</p>	<p><b>3-storey cooperative with land in CLT Option 2C</b> (10% below market rates) Micro \$ 324 p/w 1 bed \$ 498 p/w 2-bed,1-bath \$588p/w 2-bed, 2-bath \$673 p/w 3-bed \$748/w</p>
<b>Social/ CHP</b>				Avondale average \$470	

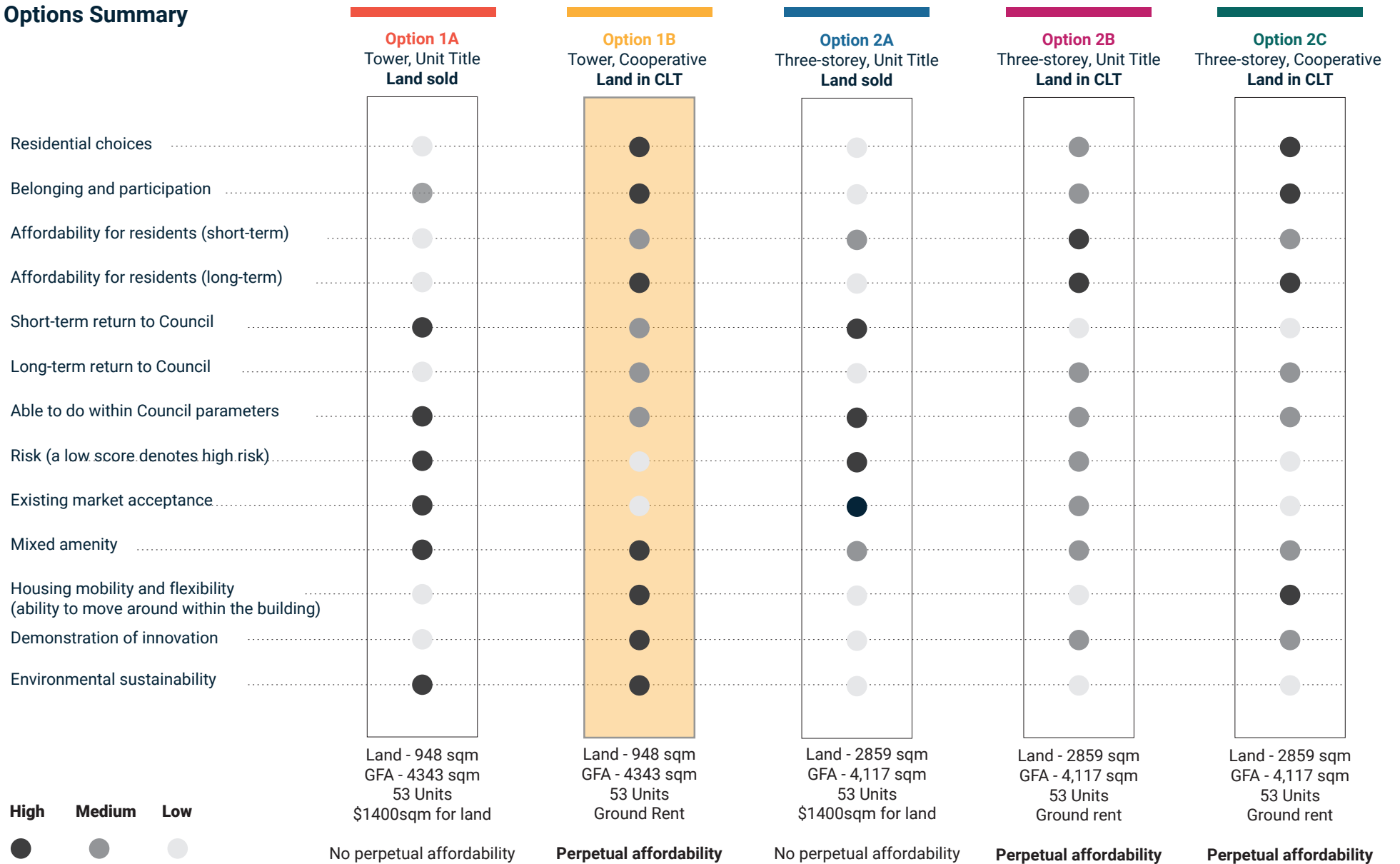
NB: Below market sales values calculated based on 2 bed, 1 bathroom case study price points as compared to 2 bed Ockham pricing and 2 bed Kiwibuild comparison.

NB: Below market rental values calculated based on 2 bed, 1 bathroom case study price points as compared to 2 bed market rental estimation.

1. Suburb Profiles, OneRoof (2020); 2. Dwelling sales and building consents, RIMU (2020b); 3. 2013 Census, Statistics NZ; 4. Market Rent by Tenancy Services (2020); 5. Figure from 2018, Mitchell, 2019

**Table 2.** Price comparisons between market ownership versus rental.

### 4.8 Options Summary



A second workshop was undertaken with Panuku, Auckland Council, and Kāinga Ora to review the different options. The full list of criteria considered is provided in Appendix 4. **38 • 64**

## 5. Recommended Option

In reality, several of the options could deliver the outcomes sought from this project. Choosing one depends on what is most important to Council/Crown, the level of appetite that exists within the organisations to diverge from its standard approach, and its ability to do that, given the current operating principles and policy.

If immediate affordability is the priority then **Option 2B**, the three-storey, unit title, with the land in a CLT offers the most affordable product. See Table 4.7. However, it requires a greater investment by Council/Crown due to the amount of land that would need to be made available at a discounted rate, to achieve that level of affordability proposed in this report. The unit title structure is also better understood by the market. **When weighing these factors against the outcomes sought from the project, including; housing choices, scalability and replicability, belonging and participation, demonstration of innovation and environmental sustainability, Option 1B) the tower typology with cooperative tenure, scores more highly.**

The trade-off that needs to be considered by Panuku is between getting a financial return for the land now and a slightly below market housing product, once, and getting a smaller financial return for the land through ground rent being paid (with either the freehold or leasehold interest being transferred to a CLT, for the provision of affordable housing in perpetuity). By taking the land price out of the equation, significantly more affordable housing can be delivered that stays affordable due to the resale restrictions that are attached to the lease agreement, and subsequent contracts with purchasers.

**Therefore, Option 1B, the Tower typology, with the land in a Community Land Trust and a cooperative ownership structure, is recommended.** This option balances the amount of investment council/crown is making, via its land contribution, with the other outcomes sought for the project.

The following discussion is provided as an explanation for the recommended option:

**Affordability** – The unit title option does provide for a below-market product, and depending on the treatment of the land, the resale of the apartment can be restricted to limit capital gains and to pass on the affordability to subsequent purchasers. The amount that would be needed for a 10% deposit towards an apartment in the ten-storey tower, with unit title ownership, is similar to the amount needed to buy into a cooperative version (between \$38,000 and \$71,000 depending on what size apartment is being purchased). However, this is dependent on the micro units being able to be sold, which they currently cannot be. The micro units significantly reduce the cost of the other apartments, which is why it is advantageous to have them included in the programme, and why the cooperative structure is recommended. Assuming a 10% deposit is paid, weekly mortgage repayments for the unit title ownership would start at an estimated \$170/week for a one-bedroom to \$369/week for a three-bedroom (if paying interest only) based on the currently low interest rates available and excluding Body Corporate fees and the ground rent. These additional factors would add an estimated \$100/week minimum, increasing over time. This figure is dependent on how much ground rent has to be paid for the land. With Body Corporate fees and a ground rent payment added, it is more likely to be between \$300/week and \$500/week; this does not account for paying off any of the principal. When removing the land from the sale price, the mortgage that needs to be serviced becomes significantly less in the three-storey option, in comparison to the tower, and offers the greatest level of affordability to residents. However, without the micro units being included, the prices currently provided would increase. See Table 2 in Section 4.7.

The cooperative rental structure allows for a 'buy-in' or 'deposit' of, on average, \$55,000. This entitles the member to a 2% return on their equity, accumulating to \$11,000 over ten years. The amount paid can also vary between members if some members are able to contribute more than others. The objective of pooling the members equity is to collectively be

able to make up 10% of the total equity required for the project. In addition to the initial payment made for the shareholding, a weekly 'rent' payment from each household to the cooperative management entity is used to service a single mortgage (held by the cooperative company). This ranges from \$342/week (for a micro unit) up to \$789/week (for the three-bedroom). However, the level of affordability in a cooperative actually increases over time when compared to market rents, due to the contractual terms that limit the annual rent increase to 2% per annum, as compared with the regular market increase of 4% per annum. This would mean that by 2030 it is estimated that the cooperative members would be paying approximately \$300/week less than those paying market rental. Unit title ownership is subject to interest rates and market fluctuations.

The average entry level deposit of \$55,000 for these options is still not achievable for many, especially single-income households. This is where cooperative ownership can be beneficial, as it has the potential to lower the cost of the deposit.

**The Impact of the Land** – Where the land is held in a community land trust, capital gains are limited and there exists the ability to limit the capital gains that can be made on the property. The model still enables purchasers to retrieve their equity contribution when leaving the residence. This mechanism is accepted because with the land cost taken out of the unit a substantially more affordable product can be offered (generally between 10-40% below market). The trade-off is that the resale conditions of the property are restricted. This approach ensures that the relative level of affordability can be passed on to subsequent purchasers. This process is demonstrated in Appendix 6 which explains how CLTs work in more detail. Without removing the cost of the land, covenants on the title, to restrict resale conditions are considered to be too restrictive, and not recommended.

Either the freehold title or a leasehold interest can be transferred to the Community Land Trust. While the three-storey unit title on a Community Land Trust can offer a product that is up to 42% below market, the size of land required equates to a substantially larger investment by Council or Crown.

**Housing Choices / Diversity of Tenure** – Either tenure option (unit title ownership or cooperative ownership) could be applied to the improvements. The limited equity cooperative opens up a new market for housing not currently available in New Zealand. The ability to combine smaller deposits and co-own, through shareholdings, circumvents the need for individuals to be eligible for a mortgage independently, and provides a supportive environment for people to 'own' property. This option also allows for the micro units to be owned more easily, than the unit title option (where individual mortgages cannot be accessed for properties below 54 m<sup>2</sup>). The cooperative ownership structure provides a 'third option' - a tenure that sits between a market rental and traditional ownership.

**Market Acceptance** – The unit title option is the closest to existing models in New Zealand. The cooperative ownership structure is more of a departure from existing tenures available in New Zealand, but offers more flexibility than unit title ownership, and offers the opportunity for the intermediate housing market to access fit-for-purpose housing, that is not a market rental product. It serves a group of people who are facing a lifetime of market rental. This significantly limits their ability to save, provides limited security and no agency, limiting their contribution to their community and society overall.

The acceptance of the cooperative structure has grown internationally, as working examples have been established, and support for the sector (education/finance/legislation) has been enacted to normalise the tenure. Market acceptance in New Zealand is being tested, with a group of residents in a similar project in Christchurch recently choosing a cooperative ownership structure over the unit title option. Existing market options are viable because the support systems available (governance, education, legal, finance, etc.) were established with them in mind. This did not happen by accident, and these models are not a given or inevitable. It took time and leadership to establish them and the support structures that enable them and will take time and leadership to now shift us to models that are more suitable for the challenges we face today.



**Environmental Sustainability** – All options demonstrate a higher level of social and environmental sustainability than regular developments, through their sharing of spaces and resources, and reduction to energy use through the building design. From an environmental perspective it could be argued that the tower is more sustainable as it uses less land per occupant. If the development were conducted in closer partnership with the surrounding masterplan site, measures could be taken to ensure less stress is placed on the ecological system, through shared ecosystem services (such as wetlands to process stormwater for the precinct as a whole). It is also more easily replicable on central suburb sites given its smaller footprint, which may be important when considering an Auckland-wide land strategy. Construction cost on the tower is higher, and that cost will have to be passed on to the purchaser, and therefore reduces the level of affordability that can be offered.

**Innovation and replicability** – All options provide a level of innovation, because the program is different, there is community involvement, and the procurement and integrated project delivery approach adopted diverge from the standard developer-led housing that is currently being delivered in New Zealand. The cooperative ownership model provides a greater level of innovation and enables more affordable options to be accessible to a group currently under served (the intermediate housing market). The cooperative ownership structure allows for ownership to be achieved by people who are not able to save the deposit for market housing but can service a mortgage. It also provides the opportunity for people who are not eligible for a mortgage individually (for reasons of income level or other eligibility criteria), to access housing ownership. The cooperative structure also provides a higher degree of flexibility and mobility within the development (than the unit title ownership structure would) by enabling residents to move within the building but stay within the cooperative. However, as it is a newer model, there are not examples in New Zealand. More investment will be required up front to establish the legal documentation and to build awareness in communities about how it works, the advantages and disadvantages. The cooperative structure

also provides for a greater level of resident participation and democratic governance, as well as capability building within communities.

The tower is more replicable across sites, and scalable, especially in brownfield sites that are located centrally, due to the smaller footprint that is required, in comparison to the three-storey, which requires significantly more land.

The recommended option can also act as an anti-gentrification mechanism by enabling those living in Avondale, who are currently experiencing significant housing stress, the opportunity for home ownership without having to move out of the area.

## 6. Prioritising A Best Practice Approach

If the recommended option is to be delivered successfully, and in line with best-practice delivery methodologies, the following approaches are recommended:

- Integrated and collaborative approach to procurement.
- Community involvement in a codesign process.

These approaches are outlined in the following section.

### 6.1 Integrated and Collaborative Procurement

To deliver the Avondale project we propose utilising a collaborative design process, such as the Integrative Design Process. An Integrative Design Process is a collaborative approach to service procurement and project delivery that involves all consultants costed in the feasibility, including the community and residents, in a process of scoping the key project specifications, the design brief, the initial concept design (during the community building phase), prior to a detailed design and delivery phase. This allows for the synthesising of information from multiple experts, in

partnership with key technical tools and the QS to identify design outcomes that will deliver maximum value for money. Integrating the community early also helps to minimise the risk of any miscommunications about the scope and intent of the project and helps build the skills and capabilities of future residents early.

The key immediate benefit of this approach is that it would allow the project to commence immediately with community engagement in a way that delivers key insights for the design process of the entire Avondale precinct and attract community investment and future residents in the process, thus avoiding the need to spend capital on traditional sales and marketing.

**The process allows for significant cost savings to be achieved through:**

**1. A significant reduction in Requests for Information (RFI)** due to ambiguity in design, or issues arising that were missed early in the design phase that now require significant re-work.

**2. A more predictable permit (building and resource consent) process**, as those involved in approving permits and the community are involved in a more transparent process.

**3. Opportunities to refine the design through synergies across disciplines identified early in the process.** In one example, a 3.5% increase in total construction cost was later offset thanks to additional savings achieved through the integrated design process and support from the Clean Energy Finance Corporation intended to drive innovative sustainability outcomes.

**4. Greater clarity on the scope required from each party** (as a result of a transparent scoping process involving all parties), saving money due to scope overlaps between consultants and avoiding issues later due to scope gaps for services which nobody is engaged to deliver.

At the end of the community building phase, the team will have produced

an Owner's Project Requirements (OPR) document that includes a detailed Design Brief, a concept design and a project delivery plan (which includes scope of works to completion) for the Avondale project. This approach has been proven to mitigate many issues with traditional construction that lead to disciplines working in isolation from one another. Also, this approach allows the team as a whole to understand the environment we're designing in, allowing issues to be resolved early (while they can be fixed by adjusting lines on paper, rather than physical material and labour) and synergies to be identified across disciplines.

**The Integrative Design Process provides a number of key factors that enable highly sustainable outcomes for reduced capital outlay:**

1. Embedded systems thinking and collaboration is at the core of the design process, allowing synergies between disciplines and design elements to be identified and integrated early.

2. Suitable sustainable targets are identified and committed early in the process (with both minimum and stretch targets), with the goal of delivering the highest level of sustainability for the least cost. This helps to drive the hunt for synergies to keep costs down.

3. Mechanisms (such as performance contracts or Alliance Contracting) are used to ensure the whole team is invested in the performance of the whole building, rather than just their specific discipline or risk area.

This process would need to be contractualised, during the next phase of the project, as it currently provides best practice overview.

## 6.2 Codesign and Community Involvement

**Community Involvement in a Co-design Process:** The primary difference between community-led or community-focused housing and other mixed-income developments delivered by developers, housing providers and/or the government, is the process by which it is developed. As the name suggests, CFH involves the residents in a collaborative design process. As a result, the development process and roles in the delivery team and the community look different from a traditional process. For the case study project, this would entail an initial phase of research and engagement with Panuku to understand what community engagement has taken place to date, and design a suitable strategy that avoids engagement fatigue and over-promising. From there, the team would engage with the community initially to understand the key elements that should be considered in a design brief that Panuku and others do not have the life experience to foresee. During this process, key community members interested in becoming future residents will be identified.

A huge part of the benefit of a co-design process is that it eliminates the need for traditional marketing and sales, thus retaining a significant development cost. Ideally, the community building and co-design process would begin alongside the Community Land Trust being established, otherwise we're at risk of "doing development to the community". However, due to the need for approvals to be secured, before community engagement can occur, this is not possible. The aim of a community-focused development is to collaborate with the community on the development, and that means genuinely collaborating on terms that respect the community's wishes. This is also important as residents may have their own ideas on funding, or their own capital to contribute, alongside opinions and preferences about the physical building design, and programming. The process suggested in Figure 4 establishes the foundation for an integrated delivery approach that allows residents to play a core role, and the broader community to be involved as appropriate and practical.

**How do People Live in the Community and Manage the Building:** The way that community-focused developments are managed and operated varies from traditional approaches, with a level of democratic participation and control afforded to those who live there. Depending on the mode chosen, there are a range of mechanisms that help to build and sustain community. These range from Body Corporate rules that have been adjusted to suit the intention of the community, to the incorporation documents such as the cooperative constitution that stipulates the rules and regulations associated with your cooperative shareholding. In some communities, membership of Incorporated Societies allows for a formal membership of an organisation that makes voting on matters relating to the community as the project is developed, and for organising events. The key point is that a self-governed community requires strong relationships and processes that have been designed by and for that group of individuals. Rather than making a decision as to what system is best for them, and imposing it on them, the community building, co-design and integrated design process will support residents to understand, define and implement the governance approaches that suit their needs, and to build the knowledge and quality of relationships that will enable them to adapt over time to suit their changing needs.



## 7. Delivery Approach and Procurement for the Recommended Option 1B

Below is provided an overview of the indicative process that could be followed to advance a case study project.

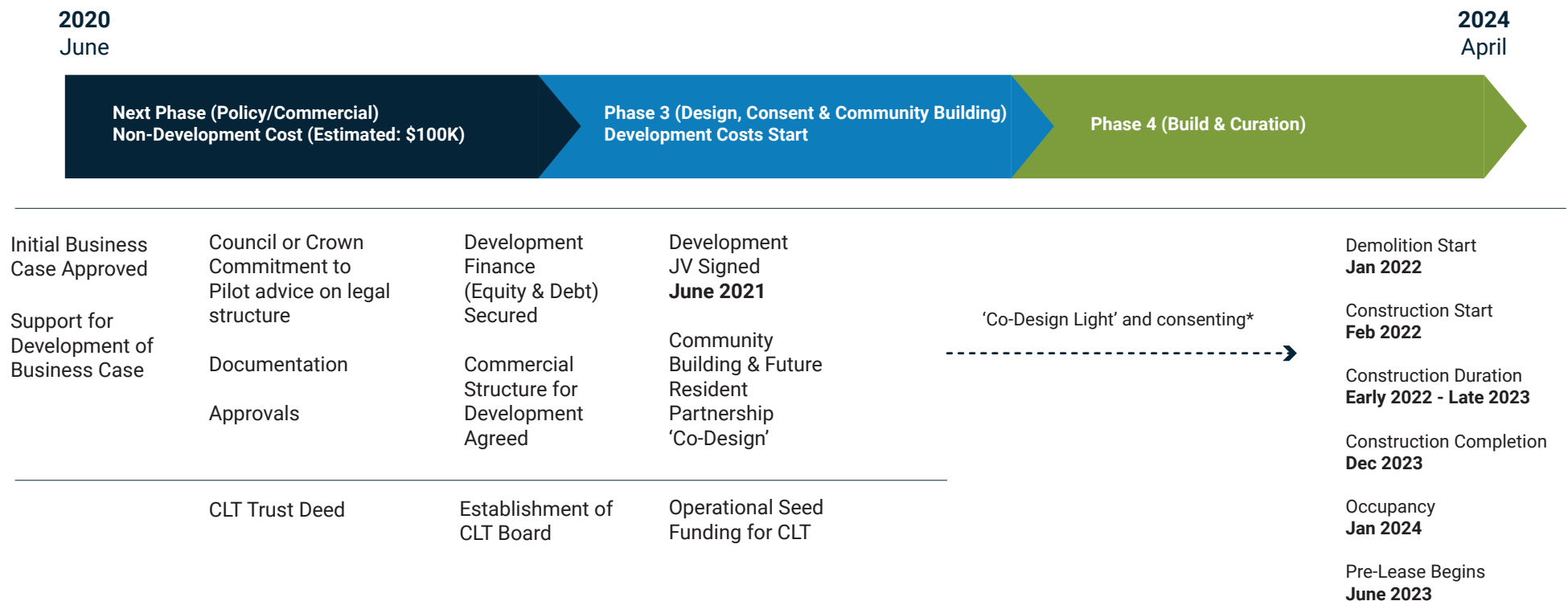


Figure 4. Subsequent delivery phases for recommended option

## 7.1 Next Steps for delivery and procurement

Regardless of the model it is likely that a partnership between Crown and Council would be needed to make this project successful, and it has been assumed that an integrated project delivery methodology would be used to design and deliver the project – see Section 6.1.

### 7.1.1 Step 1: Choose an Option and Set Up the Policy and Legal Framework to Support it

To enable a case study project to progress, and for it to be replicable and scaled, the Council/Crown may need to invest further in the establishment of policy and the legal documentation to support the structure required to deliver the model. A full legal review is outside the scope of this report. However, from engagement with Council, it is likely that further work is required at a policy level, to consider the impact of concessionary leases or land being disposed of at concessionary rates.

Support would be required to establish a Community Land Trust (the entity that would be responsible for the long-term stewardship and operational management). This would require support to establish a board, elect members, and develop the Trust Deed, as well as initial operational funding\*.

While documents can be found freely available online (from international examples), these would need to be adapted for New Zealand law. More about the establishment of a CLT is outlined in Appendix 6.

Legal documents to incorporate the cooperative company, and establish the legal right to occupy an apartment, would also be required. This would allow people to ‘buy’ their apartment. A company constitution would set out the rules for how people would live within the building. There might be a body corporate equivalent also needed. A review of tenancy law would be needed, to ensure compliance with legislation. It is assumed that as a not-for-profit entity it will not have to pay GST, this will need to be tested.

**Generally, due to the nature of the different documents that would be required for each tenure model, the following would need to be considered:**

- Cooperative; A cooperative constitution, shareholders agreement, rental agreement and body corporate equivalents (including establishment and allocation of costs on a proportional basis).
- Unit Title; Resale restricted sale and purchase or lease agreements.
- CLT; Council policy (if change required), Trust Deed and a board establishment of a Business Plan.
- Consideration of necessary easements and covenants on the land and buildings early to enable the effective operation across the life of the building.
- Accounting, tax and legal advice would be required to support the development of these documents.
- Procurement risk, insurance and finance advice will likely also be required.

*\* Hamilton City Council invested approximately \$50,000 of staff time, and \$25,000 towards legal costs to establish a CLT. They also have a further \$15,000 in the budget for lease agreements, if required. The local energy trust gave a grant of \$50,000 to support the operations of the trust, and Council is considering a further \$50,000 to enable the permanent appointment of a general manager. The trust will also receive a \$2,000,000 land grant (to be used on purchasing land to provide affordable housing), from the sale of previously council owned property. Hamilton Council has also enabled the transfer of land and buildings to the trust, in the future, by making minor changes to the Land Disposal Policy. The transfer of assets from Council, to a not-for-profit, had also been undertaken by Hamilton Council previously, by way of a gift deed.*

### 7.1.2 Step 2: Develop the Commercial Structure and Secure Finance

How this is structured depends on:

- Nature of Council/Crown involvement. This could take many different forms including the provision of OPEX to support the establishment of required documents, gap finance and or guarantees, access to land and/or long-term patient capital.
- The investors/financier. How it is financed (private finance, equity investors, social impact investors, senior debt) and the nature of the security required.
- The appetite of residents.

Assuming the Community Land Trust is established, a special purpose vehicle would need to be set up to be the contracting party. A Limited Partnership approach could be used to deliver the case study project. How the commercial arrangements are structured, will directly impact the risk allocation, that is agreed between the delivery partners. Generally, in a partnership, the risk is limited to the investment of each partner.

- The Limited Partnership (brings equity in) sits behind The General Partner, that sometimes also contributes land and/or working capital. Crown or Council would contract with the partnership to deliver the project.
- The General Partner is the general manager and does the delivery and enters into the development agreement. This is where Cooper & Associates (as development managers) would play a role.
- The Cooperative will be the entity, responsible for ongoing operations and management of the building.
- The CLT, retains ownership of the land, and can have an active role in other projects, depending on its board, and the funding available to establish it, and the overheads associated with its operation.

**To confirm the structure a capital raising phase will be entered into that will leverage:**

- Private capital (private finance, equity investors, social impact investment), and
- Bank debt for the senior debt.

The commercial arrangements, and risk sharing allocation will depend on which option is selected.

Before these can be confirmed, the sources of equity and debt will need to be identified. The risk profile looks different in these models, and is more likely to be aligned with the post Covid19 approach that the government and public agencies are looking to take (where the public sector takes more risk up front, in exchange for the outcomes it is seeking (either jobs or public benefit)).

In the unit title financial feasibility, we have allowed for 30% to be funded by private capital (members' equity and social impact investment) and 70% funded by one of the four large banks, several of which have funded similar models in Australia, and are familiar with the model. The unit title feasibility has an allowance for the equity to be provided at a rate of return of 7% compounding over the delivery life cycle of the project as the money is drawn down from the provider. For the cooperative feasibility, we have allowed for 35% to be funded by private capital (members' equity and social impact investment) and 65% funded by one of the banks.

We have also allowed for the Senior Debt to be provided by a NZ Bank at full market rates. One of the challenges with a new model of this nature has been the ability to raise the right kind of capital. Overseas Markets are typically larger, more sophisticated and have access to more impact investment type funds. This sector has only in the last couple of years emerged in New Zealand and is small.

**Auckland Council and Crown (Kāinga Ora) will need to support this case study project, through either:**

1. Providing the land for the development.

or

2. Underwriting the development.

The provision of an underwriting commitment to the Senior Debt (bank) Lender provides more confidence for them to lend. Banks may struggle to understand the reallocated risk reward profile of this type of housing delivery model.

For these options to be delivered successfully, there will also need to be support for continued education and awareness of the sector and professional services (i.e. lawyers, accountants, valuers, insurance providers, property development professionals).

There also needs to be support given to the operation and governance levels of Crown and Council agencies to address the challenges of the current system and the existing business processes which make supporting these projects difficult; for example, the way land is divested.

As a new model of housing that is delivered in partnership between the public and not-for-profit sector, lowering regulatory barriers, and fast-tracking resource consent and building consent processes, could also assist the project.

#### Short-term actions required:

- Undertake the policy work (if required) and/or provide funding to enable the operational support for the establishment of a CLT.
- Based on the policy position agreed to by all involved parties, seek approvals to make the land available for the project.
- Work with Council, Kāinga Ora and Charitable Trust Foundations to discuss a partnership approach, with the goal to attract co-funding. The government / council has the ability to use its balance sheet to provide gap finance (low interest loans), guarantees or underwrites.\*
- In order to secure the necessary investment, a prospectus or investment memorandum could be prepared. To do this requires certainty about the policy and legal framework, that enables council or crown to commit to the project, and the product that purchasers would be buying, and on what terms.
- A workshop for the banking sector could also be useful, to help them understand the model.

*\*Both Hamilton and Christchurch Council have provided funding to advance similar projects, some as grants and some as loans with long pay-back periods.*

#### Further work on the role of Council and Crown is required to understand the implication of the following things on the affordability of housing:

- Gap finance,
- Revolving funds,
- Long-term low-interest loans (patient capital),
- Government or Council Bonds,
- Guarantees or underwrites,
- Tax concessions, and
- Land Concessions.

## 7.2 Budget and Timing for Delivery

The below table outlines the estimated costs for Phase 2 and 3.

Estimated Costs for Phase 2 and 3		
Phase 2: Costs for the next phase of the project to get policy framework and structure set up	Estimated Budget and Source	Notes and Assumptions
<p><b>The below costs would require an additional budget (over and above the Phase 3 costs) as estimated below:</b></p> <ul style="list-style-type: none"> <li>Policy change, for land transfer, if needed (Council staff, internal cost unknown)</li> <li>Legal and tax advice on structure and basic documents and structure (est' \$60,000)</li> <li>CLT establishment (steering group /business plan and deed) or partner with CHP, appointing board members and CLT operational funding (est' \$40,000)</li> <li>Investment memorandum and capital raise (\$20,000)</li> <li>Consultancy advisory time to support internal Council/Crown (\$30,000)</li> </ul>	<p>Estimated total \$150,000 *</p> <p><i>* This could go up or down depending on support required and how much Council/Crown does internally.</i></p>	<p>This could be paid for by Crown/Council.</p> <p>There are other groups in New Zealand looking at the cooperative structure. A co funding arrangement could also be agreed to share the costs.</p>
<b>Phase 3: The below items are included in development costs (start post approvals from Council/Crown)</b>		
Land	Ground rent	
Design and planning consultants Integrative project delivery (procurement) Integrating project specifics, into base documents (from phase 2) Planning and design Statutory Authority	\$2.8 million	
Traditional Development Management (including Project management) Community building and coordination Market engagement/residents acquisitions (lessees, and buyers) Accounting, legal and market development costs to support leases and GST/tax advice	\$1.3 million	
Build	\$17 million	
Finance	\$2.2 million	
Contingency	\$1.2 million	
GST	\$3.6 million	
<b>Total</b>	<b>\$28.1 million</b>	

Table 3. Estimated costs for the next two phases of the project.



The below diagram outlines the indicative timeframes and funding process.

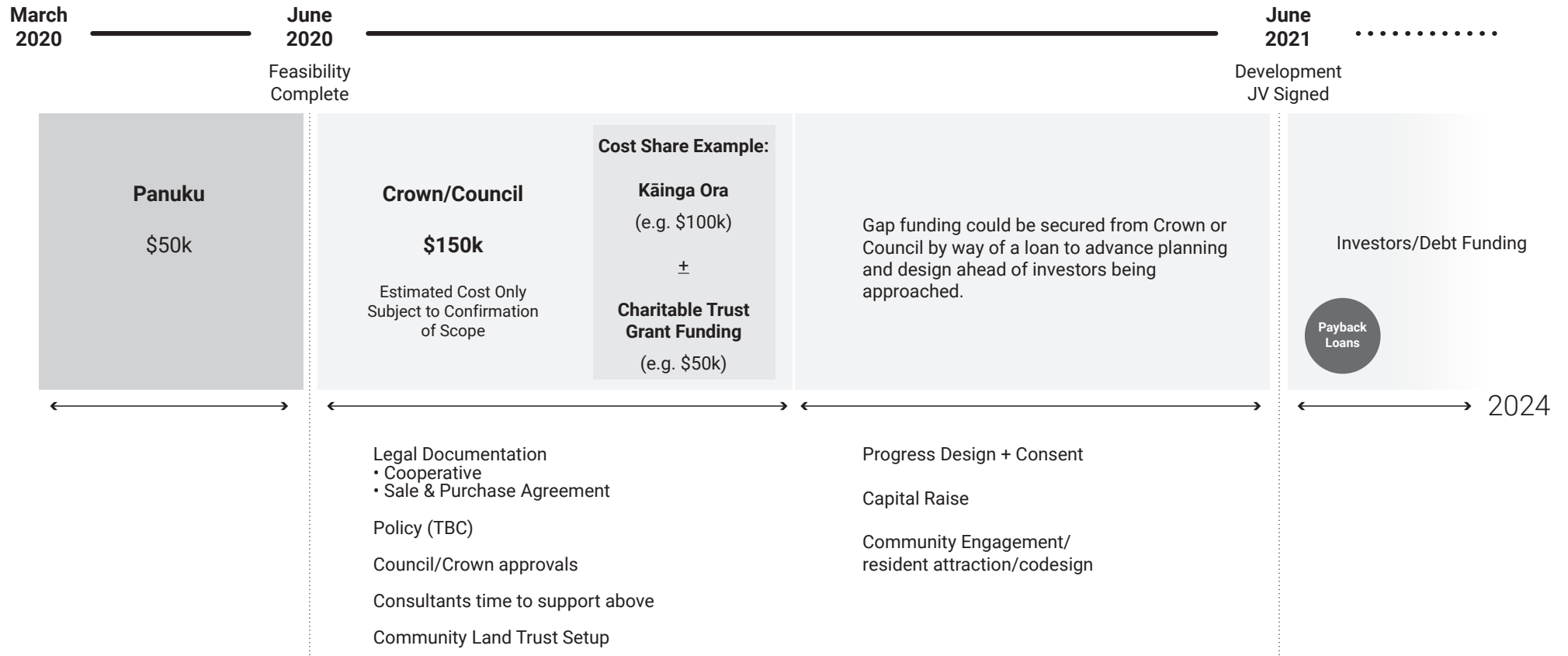


Figure 5. Indicative timeframes and funding process.

## 7.3 Risk

**There are a number of risks associated with the development phase of this project. Risks, the level of likelihood, and the proposed mitigations are summarised in Appendix 7.**

To mitigate against the risks outlined, ongoing support from the project team is included in the budget for the next phase of the project. A high level of understanding about how the management and governance of a cooperative structure would work, and how that can be contractualised will be required. The project team who has undertaken this study has considerable experience in communicating with the professional services, central and local government (both politicians and staff), about the hurdles and requirements of the various models. Knowledge of the overseas models has been embedded into the teams skills and experience through several international study trips where we learned about the factors that need to be considered when developing the policies and legal structures for these models, as well as the tools and levers that are available to make these projects work internationally. Due to the newness of the cooperative structure specifically, there is a risk that unnecessary amounts of money will be spent on legal fees if the correct brief is not provided to the lawyers. There is a network of people in New Zealand already working on the cooperative structure that the project team is connected to, and legal professionals who have already been working with us to understand the issues in relation to cooperative housing ownership in New Zealand. There is the opportunity for cost-sharing and minimising the cost to Auckland Council and/or Panuku if this work is leveraged and cost-sharing arrangements agreed.

The project team have already commenced conversations with the finance sector and built relationships with the limited number of social impact investors in New Zealand. There is significant interest in investing in projects like those considered in this report. However, the sector needs to see considerably more commitment from the public sector parties, to provide the land and to support the early-phase planning of the projects, so that they are sufficiently de-risked for these kinds of investment.

### Operational and Establishment Risks

The risk section above focuses on the next project planning phase of the project and the development phase. The operational phase also has risks to consider. For cooperative ownership to work, the residents must agree to having a democratically elected board and participation by each member. There is a budget provided for in the financial model for professional services to be procured to support the residents. A board would need to be elected (of residents), that could also have stakeholders, to support its operations. There is a large amount of documentation and experience that is easily accessible within the network of cooperative housing globally, this is the same for Community Land Trusts. Most of the resources are available free-of-charge and their industry representative groups are available to assist new groups; this is part of their ethos, and commitment to open sourcing documents and growing the number of cooperatives and CLTs that exist around the world. However, to establish a cooperative, capacity and capability building of the residents and support for the sector in New Zealand, including the CHPs or civil interest groups, will be required. There is therefore a requirement for a commitment from Crown and/or Council to support the growth of this sector through funding capability and capacity building, by having people who are actively working in this area, supporting the residents, and working alongside the partner organisations, as is suggested in the next phase of this project.

Assuming that the recommended option is progressed, an indicative risk allocation has been provided in Appendix 7.

## 8. Conclusion

Community-focused Housing should become a core component of Council/ Crown strategies for neighbourhood regeneration, to deliver quality, affordable housing and engaging community in the process and to realise long-term social stability and economic prosperity for the community. Any response must be place-specific and involve long-term engagement and support within the communities, to secure the buy-in that is critical to the success of these projects.

Cooperatives and Community Land Trusts offer the opportunity to provide perpetually affordable housing, and leverage partnerships between the public sector, the banking and finance sectors, NGOs and communities. However, political will, leadership and resources are required to support the Community-focused Housing sector to grow. Areas requiring support include the availability of land and finance at low rates, design and planning support as well as significant education, awareness and capacity building in low- to medium-income communities. Both Panuku and Kāinga Ora are well placed to support the CFH sector by working with the Ministry for Housing and Urban Development to create a supportive policy environment. This would be aided by:

- Adopting new strategies for managing public land and assets in regeneration programmes.
- Adopting land supply strategies that reduce the rate of privatisation of public land.
- Working with the sector to develop new financial mechanisms and products.
- Making land and funding available for CFH (OPEX and CAPEX).
- Taking a leadership role in education and awareness.
- Funding capacity-building of the sector.



## 9. Glossary

**Affordable housing** – Where people are spending no more than 30% of their income on housing, therefore affordability is relative to median incomes in a neighbourhood.

**Cohousing** – An intentional clustering of private homes, with some common facilities and shared neighbourhood life. Cohousing communities are co-developed and co-designed by future residents, then managed and operated by the residents, supported by a hierarchy-free decision-making process. This term is sometimes misunderstood and used to describe the broader range of Community-focused Housing models.

**Community-focused Housing (CFH)** – This term describes a range of international housing models, as part of a diverse housing offering, that contribute to greater economic, environmental, social and cultural wellbeing of current and future generations.

**Community Land Trusts (CLT)** – A shared-ownership tenure model, where ownership of the land and house are separated to provide retained affordability. Occupiers own (or rent) their home but not the land: a long-term ground lease is established for the land. CLT acquire and manage land with the intention of holding it in trust and developing affordable housing and other community amenities.

**Cooperative Housing** – A form of shared ownership where residents purchase shares in a corporation. In this arrangement, the corporation is the development entity and retains ownership of either the land and housing, or just the housing (with a lease over the land). The residents purchase shares in the corporation, with each share corresponding to a dwelling unit or proportion of the overall roughly equivalent to a single dwelling. Cooperatives can be developed on a single site, or across various (scattered) sites.

**Intermediate Housing Market** – Defined as “private renter households with at least one person in paid employment, unable to affordably purchase a house at the lower quartile house sale price for the local authority area at standard bank lending conditions” (Mitchell, 2019)

**Improvements** – Additions to or enhancements of raw land or a building that normally increase its usefulness and value, and are intended to remain attached or annexed as drains, drives, sewers, sidewalks, streets, trees, etc

**Moderate incomes** – 80 to 120% of median incomes (Mitchell, 2019).

**Retained (or perpetual) affordability** – Housing that remains affordable for the duration of an occupancy and where the initial price reduction, compared to the open market, is not lost on resale. It can also refer to the continuous recycling of investment into affordable housing from the sale of shared equity products, for example.

**Stressed households** – Those paying more than 30% of their gross household income to service either rent or mortgage expenses (Mitchell, 2019).

**Extremely stressed households** – Those paying more than 50% of their gross household income to service either rent or mortgage expenses (Mitchell, 2019).

**Well-off households** – Those paying less than 30% of their gross household income to service either rent or mortgage expenses (Mitchell, 2019).

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# Appendices

## Appendix 1: Strategic Objectives Sought from Panuku

At the beginning of the process an options assessment was undertaken to choose between Panmure and Avondale. The following section highlights the outcomes of the first workshop held with Panuku. These items were voted on by Panuku staff as the priority strategic objectives for Panuku, the Avondale Precinct and for the project, specifically.

### Organisational Strategic Objectives/Cross Cutting themes, Prioritised for this Case Study Project

#### 1. Residential Choices (price points, tenures, typologies)

Provide for housing – identify sites and providers that can contribute to housing affordability through a range of housing products, and accessible housing for a diverse population.

#### 2. Sustainability and Climate Change

Integrate sustainability – deliver projects that can actively respond to climate change, improve environmental quality and design and deliver infrastructure to support long-lasting behaviour change.

#### 3. Partnering and Engagement

Undertake place-led engagement – provide a tailored approach in each community to best harness the local identity, attributes and aspirations within development areas.

#### 4. Maori Outcomes

Work with mana whenua – partner collaboratively with iwi to achieve shared outcomes and enable mana whenua to exercise kaitiakitanga and manaakitanga.

#### 5. Economic Outcomes

Support local economic development – work with other agencies and the community to ensure that the redevelopment of an area contributes to local prosperity and stimulates innovation.

#### 6. Quality Urban Design and Development

Deliver quality place-led design – deliver high-quality design, and inclusive and accessible outcomes for public-realm and commercial projects.

### Project Objectives for the Case Study Project Ranked

#### 1. Residential choices (price points, tenures, typologies)

Provide new housing choices (tenure and typology) for the existing community, reducing the potential negative impacts of regeneration (i.e. displacement) and which can also attract others/different demographics.

#### 2. Pilot the community-led model found to be most appropriate for the site and local community, while prioritising affordability. Either:

Affordable for the area (i.e. the development is delivered at below market prices), **or** Affordable in perpetuity (i.e. there are subsidies that are recycled).

#### 3. Deliver wellbeing outcomes

A. Empower the community to actively participate in the change, as well as enhancing Panuku's social licence to operate / ability to build social capital.

B. Reduce social isolation, increase community pride, deliver greater social cohesion, and contribute to a safe and cohesive community.

#### 4. Show Leadership

Show leadership by delivering an exemplar development, unlikely to be instigated by the private market.

#### 5. Focus on scalability and replicability of a case study project

Provide a development outcome which can be scalable and replicable and contributes to broader regeneration outcomes.

#### 6. Prioritise Partnerships

Attract new development and funding partners and funding sources.

Scorecard for Site Selection	Panmure		Avondale	
Alignment to Organisational Objectives	Both would demonstrate alignment.	4	Both would demonstrate alignment.	4
Alignment to Precinct Objectives	There is further work needed to clarify the objectives and priorities for the area.	3	Avondale has a clearer idea about the housing & development pipeline. Opportunity to take precinct approach.	4
Housing demand matches ('the need') <ul style="list-style-type: none"> <li>Existing typologies, tenures, tenants</li> <li>Cultural appropriateness</li> <li>Social and community housing provision</li> </ul>	Because Panmure is a diverse community the need for a range of options, including this one, is likely high. The high number of people expected to move to the area could also be a factor.	3	Avondale has a high number of social housing developments in the pipeline and there is a need to balance with a range of other products. There is the opportunity to work with Kainga Ora in this area.	4
Site location suitability (e.g. zoning and neighbouring sites)	Viewshaft exists and limits height. Both sites likely to be contaminated. Otherwise, zoning is suitable.	3	Zoning likely to achieve greater affordability for comparable land values across the two sites.	4
Surrounding neighbourhood suitability (e.g. close to transport, amenities and services)	Close to public transport hub and town centre. Community amenity exists. However, there is a lack of F&B.	3	Public transport exists, and significant investment into amenity is planned for the area.	4
Physical Site readiness (e.g. services/geotech)	Infrastructure issues exist but are being addressed by Panuku in another workstream.	3	Infrastructure issues exist but are being addressed by Panuku in another workstream.	3
Market readiness of area (e.g. development appetite)	There is a lot of other activity by a number of different organisations in the area. TRC has an active role and collaboration would be important.	3	There is already private sector apartment development occurring in the area.	4
Civic Readiness (level of acceptance and willingness to participate by the community)	There is potentially engagement fatigue in the area, and already unsettled communities.	3	The community is eager to have more of a role. Engagement has not yet commenced.	4
Team readiness (willingness to experiment / time to investigate new process)	Panmure is still in a strategy and planning phase.	3	Avondale has a clearer idea of design outcomes, and timing for delivery of projects.	4
Timeframes and land availability (e.g. ownership, payback and settlement conditions)	Do not own the land currently.	3	There is an SDF payback period attached to the land because of how it was paid for (Council loan).	3

Figure 6. Scorecards from site selection workshop.

## Appendix 2: Demand Analysis

See separate document.

## Appendix 3: Site Analysis

See separate document.



<b>Appendix 4: Scoring from Workshop 2 - Options Analysis</b>	<b>Option 1A Tower, Unit Title Land sold</b>	<b>Option 1B Tower, Cooperative Land in CLT</b>	<b>Option 2A Three-storey, Unit Title Land sold</b>	<b>Option 2B Three-storey, Unit Title Land in CLT</b>	<b>Option 2C Three-storey, Cooperative Land in CLT</b>
<b>Residential choices</b>					
Security of tenure (this means people have control, and long term exclusive access)	4	5	4	4	5
Diversity of tenure (this means, a new option that is not seen in the market currently)	3	4	3	4	3
Diversity of bed typology (this means, a range of options, within the building)	3	5	3	3	3
Includes shared amenity	3	4	3	3	4
<b>Belonging and participation</b>					
General community involvement in the process (using Nightingale as the precedent)	3	5	3	3	5
Resident input into design	3	5	3	3	5
Wider community engagement and participation	3	5	3	3	5
Resident agency and involvement in governance	2	5	2	2	5
Delivers wellbeing outcomes (reduce isolation / build community pride and social cohesion / mental health benefits)	3	5	3	3	5
Partnership - work with others to build highly collaborative trust relationships	1	4	1	1	4
<b>Affordability</b>					
Buy in is lower than kiwisaver deposit requirements	4	5	4	4	5
Weekly payment is below 30% cost of living costs for median income for targeted bracket (upper quartile of intermediate market)					
Perpetuity/resale restricted (gets more affordable or stays at the same level of affordability, relative to the market of the day)	0	5	0	4	5
<b>Return to Council for land</b>					
Financial short-term return	5	1	5	1	1
Financial long-term return (retained land value)	1	5	1	5	5
Responsible investment of assets (strategically create value from assets)	1	5	1	5	5
Economic stimulus - Includes non-resi activities that help create community wealth	3	3	3	3	3
Maximise the planning requirements (10-storey)	5	5	2	2	2
<b>Able to do within Council parameters</b>					
Policy (scores higher, if we do not have to change policy)	5	2	5	2	2
Legal (scores higher if we do not need bespoke legal agreements/contracts)	5	3	5	3	3
Regulatory (consenting) (scores higher if no consenting challenges)	5	5	5	5	5

<b>Risk appetite required</b>					
Reliance on Central government participation - to change finance legislation, bank lending practices, tenancy legislation (scores higher if no changes are required)	5	3	5	3	3
Risk appetite (requires more investment than the land from government, e.g. underwrites, bonds, low interest loans, concessions and grants) Note: a higher number as been give to those models requiring less risk to be taken by govt (central and local)	5	4	5	3	3
<b>Existing market acceptance</b>					
Most commonly accepted by financiers (investors/banks)	5	2	5	3	2
Most 'commonly understood'/tradeable - people are comfortable with what they are buying, and there is a resale market	5	3	5	4	4
<b>Mixed amenity</b>					
Includes more internal amenity than traditional residential	4	4	4	4	4
External amenity	3	3	5	4	4
High quality design	4	4	4	4	4
Quality urban design	3	3	3	4	4
Activation of ground plane and interface with town square and surrounds	4	4	4	4	4
<b>Housing mobility and flexibility</b>					
For people to move around within the building to downsize/upsized	1	5	1	3	5
<b>Demonstration of innovation</b>					
Leadership (a higher score is given to those pushing the boundaries of what we have already)	3	5	2	3	4
Replicable	5	5	2	2	2
Scaleable	3	3	2	2	2
Attract new finance and development partners	3	3	3	3	3
<b>Environmental sustainability</b>					
Reduction of land used and optimisation of shared spaces	5	5	3	3	3
Sustainability (min 6 star)	5	5	5	5	5
<b>TOTAL</b>	<b>125</b>	<b>147</b>	<b>117</b>	<b>117</b>	<b>136</b>

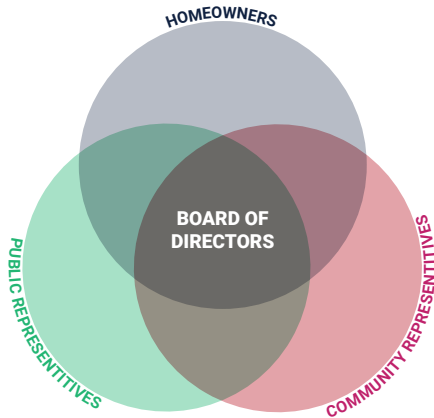
Table 4. Workshop two scoring summary.

## Appendix 5: Financial Feasibility Summaries

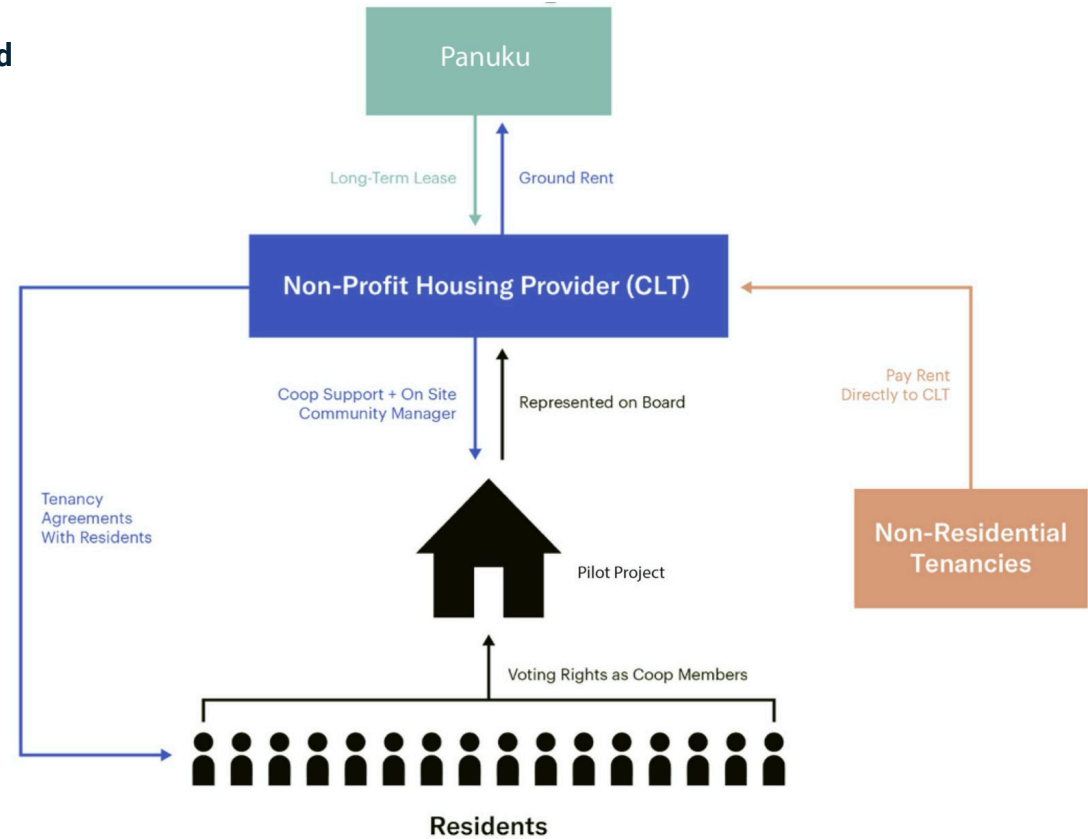
See separate document.

## Appendix 6: Establishing and Managing a Community Land Trust (CLT)

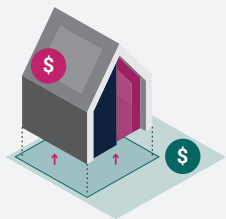
If a Community Land Trust were to be established, the structure for delivering the case study project could look like the below diagrams.



A CLT Board is typically made up of those who are or will be living there, members of the community, and representatives of various public entities trusts and organisations.

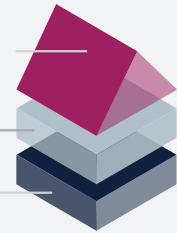


### PERPETUALLY/GENERATIONALLY AFFORDABLE HOUSING



1. Separate land price from the house price

\$300k  
75% Mortgage from Commercial Lender  
\$80k  
20% Loan from Government  
\$20k  
5% Deposit from Buyer



2. Negotiate lower deposit and subsidy or shared equity

Example House Value  
**\$400k**



A one time investment by an eligible resident, the home remains affordable



Residents build wealth and 'pay it forward', their one time investment is self sustaining, meaning prudent public investment.



The family limits their proceeds when they sell in exchange for a home purchase below the market-rate, allowing others to purchase an affordable home

3. When the house is first bought, the re-sale formula is determined. In the future, when the house is sold to the next qualified family, it is at a price they can afford

Figure 7. CLT learning materials (from The Urban Advisory's CLT learning materials library).

## Appendix 7: Risk

Table 5 is dependent on the final commercial structure that is agreed. If the land is sold to the developer, under commercial terms, the development organisation will take the risk on all of the below, but the prices would also return to standard commercial rates. If the project is delivered as a true cooperative, with no delivery entity in the middle, the cooperative members would hold all the risk.

If the recommended option is progressed, the cooperative tower on a CLT, then an initial assessment of how the associated risks might be apportioned between the organisation and potential service providers is outlined in the risk allocation table below:

Risk Category	Potential Risk Allocation		
	[Organisation]	[Shared]	[Supplier A]
Design risk	LP Partership and Members of Cooperative (Residents).		
Construction and development risk	LP Partership. Shared with the puchasers.	Can become shared with government if the government is providing an underwrite.	
Transition and implementation risk	Council/Crown/CLT.	Establishment of the CLT dependant.	
Health and Safety Risk	Shared (see Legislation).		The Builder.
Availability and performance risk	LP Partership.		
Operating risk	LP Partership.		
Variability of revenue risks	LP Partership / Members of the cooperative (residents).	Can become shared with government if the government is providing an underwrite.	
Termination risks	LP Partership / CLT.		
Technology and obsolescence risks	N/A		
Control risks	Council / LP Partership .		
Residual value risks	LP Partership / Members of the cooeprative (residents).	Can become shared with government if the government is providing an underwrite.	
Financing risks	LP Partership.	Can become shared with government if the government is providing an underwrite.	
Legislative risks	LP Partership.	Can become shared with government if the government is providing an underwrite.	
Other project risks	N/A		

Table 5. Potential risk-sharing table.

Table 6 provides an overview of the project risks:

RISK	LIKELIHOOD (HIGH, MEDIUM, LOW)	MITIGATION
<b>The risk of the project not commencing within the advised timescale</b>	<b>MEDIUM</b>	The project could not advance because of the approvals and process risk associated. This is due to lack of capital in the not-for-profit and social impact sector post Covid-19 and tightening by Auckland Council around all fringe discretionary works.
<b>Market acceptance and resident participation</b>	<b>MEDIUM</b>	There is a risk that a new tenure will not be well received by the market. A thorough market engagement, resident acquisitions, sale and purchase process will be deployed, advertising significantly below-market housing options that currently do not exist elsewhere.
<b>Risk the project will not realise the benefits outlined above</b>	<b>LOW</b>	The financial model shows we can deliver cheaper housing and there is an immense amount of overseas research to show the socio-economic and environmental benefit of these types of housing developments. Refer referenced report.
<b>The risk the project will not be completed on time, to cost or to specification</b>	<b>LOW</b>	The management team consists of Cooper and Associates, a Development Management Company who have overseen \$250M+ of apartments from RC to completion in the last four years, coming in on budget. The adoption of an integrated procurement and delivery approach has also proven to mitigate the risk of FRI's, time and cost overruns.
<b>Risks with securing traditional finance for a model that has not been tested here. A lack of equity at the front end, to establish the structure and provide the necessary certainty for impact investment and then senior debt to be secured.</b>	<b>HIGH</b>	Attracting the right kind of investment and finance will require council or government to have a role at the early stages of the project, through either funding and or underwrites or guarantees.

RISK	LIKELIHOOD (HIGH, MEDIUM, LOW)	MITIGATION
<p><b>This project is a case study project, testing new models of development, and risk-sharing arrangements between the public and private sector.</b></p>	<p><b>MEDIUM/HIGH</b></p>	<p>In contrast to traditional development, however, the profit margins demonstrated in the development feasibility are there as additional contingency, or savings to be passed on to the purchaser, not a third-party developer. Involving the residents early in a project, through the co design process, de-risks the project significantly as the end purchaser already exists, to purchase the fit-for-purpose product.</p>
<p><b>The project is being delivered in conjunction with a new town square upgrade and will include the provision of community-based facilities (library/town centre and public realm upgrade). If these works are delayed the desirability of the site could be significantly less.</b></p>	<p><b>MEDIUM/LOW</b></p>	<p>There will be engagement with the wider community as part of this community led development process, which should assist to build interest. A community-led project does reduce the risk that there are no purchasers, given the role of the purchaser in the project from the outset.</p>
<p><b>Key changes to Local and Central Government personnel, resulting in loss of continuity.</b></p>	<p><b>HIGH</b></p>	<p>The key is to advance the project swiftly and deliver a much-needed alternative housing model that meets the needs of the intermediate housing market, as soon as possible. Kāinga Ora has a role in Avondale, and engagement with them has commenced to ensure that an all-of-government approach can be taken, in delivery of this and subsequent projects.</p>
<p><b>The Covid-19 crisis is having a profound effect on the property development industry; this is mainly through development having been placed in an indeterminate hiatus.</b></p>	<p><b>HIGH</b></p>	<p>Banks will also be far more cautious about lending on property development in the short- to medium-term, stifling delivery. One of these reasons will be worrying about the on-completion valuations for the dwellings and settlement risk. Our intended pricing, as set out above, shows that these units would be well below the current market housing prices. A 10% drop in house prices is still not going to compete with this new delivery model.</p>

**Table 6.** Project risk summary.

Project Delivered By:



URBAN APOSTLES  
NEXT GENERATION CITY MAKERS



**Cooper & Associates**



**Ben Preston, Regenerative Designer**