

<b>Decision released from confidential session</b>			
<b>Recommendation from (agenda report)</b>	<b>Date of meeting</b>	<b>Recommendation to (decision-making meeting)</b>	<b>Date of meeting</b>
		Council	28 July 2022
<b>Report Title and number</b>			
Kāinga Ora Housing Development Update (R26867)			
<b>Documents released</b>			
Decision and Report R26867			
<b>Decision</b>			
Resolved CL/2022/155			
That the Council			
<ol style="list-style-type: none"> <li>1. Receives the report Kāinga Ora Housing Development Update (R26867); and</li> <li>2. Approves Option 3 for officers to continue to negotiate with Kāinga Ora for a conditional sale and purchase agreement to purchase both properties (42 Rutherford Street and 69 to 101 Achilles Avenue) for social and affordable housing, subject to the approved negotiating brief and a suitable development partnership(s) with iwi, Community Housing Providers (CHPs) or other commercial housing provider being established to deliver the intended ratio of social and affordable housing; and</li> <li>3. Notes that once a development partnership is in place, and the proposed development form known, a report will be brought back to Council for consideration of any further decisions required to facilitate the development; and</li> <li>4. Agrees that Report (R26867) and the decision be made publicly available following completion of commercial negotiations.</li> <li>5. Agrees to write to Minister of Housing Hon Dr Megan Woods MP advocating for policy change to enable Kāinga Ora to deliver affordable housing.</li> </ol>			

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## Item 2: Kāinga Ora Housing Development Update

Council



28 July 2022

REPORT R26867

## Kāinga Ora Housing Development Update

### 1. Purpose of Report

- 1.1 To consider options for the progression of the Kāinga Ora, Achilles Avenue and Rutherford Street social and affordable housing development.

### 2. Recommendation

#### *That the Council*

1. ***Receives the report Kāinga Ora Housing Development Update (R26867); and***
2. ***Approves Option 3 for officers to continue to negotiate with Kāinga Ora for a conditional sale and purchase agreement to purchase both properties (42 Rutherford Street and 69 to 101 Achilles Avenue) for social and affordable housing, subject to the approved negotiating brief and a suitable development partnership(s) with iwi, Community Housing Providers (CHPs) or other commercial housing provider being established to deliver the intended ratio of social and affordable housing; and***
3. ***Notes that once a development partnership is in place, and the proposed development form known, a report will be brought back to Council for consideration of any further decisions required to facilitate the development; and***
4. ***Agrees that Report (R26867) and the decision be made publicly available following***

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### 3. Exclusion of the Public

3.1 This report has been placed in the confidential part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is:

- Section 7(2)(g) To maintain legal professional privilege.
- Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities.
- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

### 4. Background

4.1 On 28 October 2021, after considering public feedback on the proposal to sell 69 to 101 Achilles Avenue and 42 Rutherford Street to Kāinga Ora for social and affordable housing developments, Council resolved:

Resolved CL/2021/001

*That the Council*

1. *Receives the report Deliberations on sale of 69 to 101 Achilles Avenue and/or 42 Rutherford Street to Kāinga Ora for social and affordable housing (R26213) and its attachments (A2763085 and A2767627); and*
2. *Accepts the following late feedback (A2767627) on the proposal to sell 69 to 101 Achilles Avenue and/or 42 Rutherford Street to Kāinga ora for social and affordable housing:*
  - *Rachel Boyack, MP for Nelson*
  - *Ainslie Riddoch*
3. *Approves the sale of 69 to 101 Achilles Avenue and 42 Rutherford Street to Kainga Ora subject to a negotiating brief that includes the following terms:*
  - (i) *That the sites be sold for market value to be determined by agreement with Kāinga Ora having regard to independent valuations for the site obtained by Kāinga Ora and Nelson City Council.*
  - (ii) *The design outcomes which were outlined to the community as part of the consultation document (A2704161) be adopted to inform the development design:*
    - (a) *High quality, high amenity, interactive and accessible design to street and laneway edges.*

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- (b) *Design compatibility with the adjacent public spaces and central city location.*
- (c) *The use of appropriately scaled and well-modulated/articulated architectural design elements and an appropriate provision of space, openings and materiality (i.e windows, balconies and cladding types).*
- (d) *Integration of vehicle, public transport and pedestrian circulation with adjoining street frontages and Wakatu Square with minimal provision of on-site carparking.*
- (e) *Inclusion of quality, climate resilient, sustainable, design and building practices.*
- (f) *Less than 50% of household units will be for social housing, the remainder will be a mix of affordable housing types.*
- (g) *Demonstrates consistency with the six key moves of the Nelson City Council City Centre Programme Plan (August 2019).*
- (h) *Minimise, as far as practicable, shading effects that lead to safety hazards on public streets, areas and footpaths.*
- (i) *Provide appropriate cycle storage and servicing facilities.*
- (j) *Within these outcomes, maximise housing yield; and*
- (iii) *That Kāinga Ora works in partnership with Council officers on the design of the building, including that officers are part of the Kāinga Ora Project Steering Group contributing to decision making and Project Team responsible for progressing the project and its design.*
- (iv) *That Kāinga Ora will seek to commission a local architect to be part of the design team for the development to ensure the building is a good fit with the city centre and Council priorities (exemplar intensification and affordable housing, good urban design including appropriate scale and height, sustainability features, provides for active mode).*
- (v) *That Kāinga Ora will, where reasonably possible, partner with local housing providers and developers and/or iwi to deliver the project to ensure that affordable rental and affordable apartment sales are enduring and well managed.*
- (vi) *That Kāinga Ora will, where reasonably possible, utilise local construction companies and local materials to undertake the build, acknowledging that this may be affected by the current market shortage of both locally.*

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- (vii) *That Kāinga Ora uses its placement principles to allocate its social housing tenants to the housing typology of inner-city apartment living.*
  - (viii) *That communication with the community is undertaken by Kāinga Ora to ensure the community is well informed of progress, including during the progression of development design and housing partnership formations.*
  - (ix) *That a condition is imposed to ensure that if development of at least one of the sites has not commenced construction within 3 years, both sites will be offered back to Council to purchase for the sale price, less any works that have reduced its value.*
  - (x) *That a condition is imposed on sale that a covenant will be registered on the title giving Council a right of first refusal to purchase, on terms acceptable to Council, should Kāinga Ora seek to sell all or any part of the sites at any time unless the sales relate to affordable unit title apartments developed by Kāinga Ora or in partnership with others (subject also to any applicable legal obligation on Kāinga Ora to first offer to iwi).*
  - (xi) *As appropriate, a Memorandum of Understanding may be signed with the purchaser to reflect shared objectives for the development that are not included in the sale and purchase agreement.*
  - (xii) *Any other reasonable terms of sale necessary for the divestment.*
4. *Delegates to the Mayor, Deputy Mayor/Chair of the Urban Development Subcommittee and Chief Executive the negotiation and approval of the sale and purchase agreement and Memorandum of Understanding (if appropriate) provided the terms are substantially consistent with the negotiating brief; and*
  5. *Notes that progress on negotiations and development design will be overseen by the Kāinga Ora Governance Reference Group in accordance with the Terms of Reference; and*
  6. *Notes that tenants of 69 to 101 Achilles Avenue and 42 Rutherford Street will be advised of Councils decision, and kept up to date on progress with negotiations, including advice in relation to the effect on their tenancies by officers; and*
  7. *Confirms that the proceeds from any sale will be used to pay off debt; and*
  8. *Approves the sale of 69 to 101 Achilles Avenue and 42 Rutherford Street and identifies the matters in relation to making such a decision in accordance with section 80 of the Local Government Act, including:*
    - (a) *While it is not clear, the decision to sell 69 to 101 Achilles Avenue and 42 Rutherford Street to Kāinga Ora rather than via public*

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*auction may be inconsistent with the NCC Asset Disposal Policy 2015; and*

- (b) Council has decided to approve the sale notwithstanding the apparent inconsistency with the Policy because of the broader strategic benefit of the proposal for the community (noting the above conditions) and the enhanced relationship with Kāinga Ora, together with the objective to sell the properties for market value; and*
- (c) That there is no intention to amend the Policy to accommodate the decision at this time.*

4.2 The Kāinga Ora Governance Reference Group and its Terms of Reference was approved in resolutions 7 and 8 of report R25874 at the 1 July 2021 Council meeting:

- 7. *Delegates authority to a Kāinga Ora Governance Reference Group comprising Mayor Reese, the Chair of the Urban Development Subcommittee (Councillor Edgar), the Chair City Centre Engagement Group (Councillor Courtney) and Council's Urban Design Champion (Councillor Rainey) to provide governance oversight to officers on social and affordable housing development proposals of Council to be delivered through partnership with Kāinga Ora; and*
- 8. *Approves the terms of reference for the Kāinga Ora Governance Reference Group as per Attachment 2 (A2684427) of Report R25874;*

4.3 Since November 2021 officers have been participating in fortnightly project team meetings with Kāinga Ora staff, and monthly project governance meetings with Kāinga Ora's governance group. Work completed to date by Kāinga Ora includes:

- 4.3.1 Assessments of the current and future demand for public and affordable housing in Nelson city; and
- 4.3.2 Due diligence on the sites including geotechnical investigations, flood assessments and Stafford claim considerations; and
- 4.3.3 High level financial feasibilities for several building configurations for each site; and
- 4.3.4 High level discussion with iwi/Māori on the project and their appetite for involvement; and
- 4.3.5 Identification of funding challenges for the affordable housing component of the development.

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- 4.4 The Council Kāinga Ora Governance Reference Group met on 13 May 2022 and 7 June 2022 to provide governance oversight to officers as work on the housing development has progressed.
- 4.5 The Council has also received legal advice as options have been developed, and to help inform this report. This legal advice is referred to in more detail in section 5 and the assessment of options.

## 5. Discussion

- 5.1 To proceed with the proposed social and affordable housing development on 69 to 101 Achilles Avenue and 42 Rutherford Street some challenges need to be overcome. These challenges were not identified or disclosed by Kāinga Ora to Council officers at the time the 28 October 2021 resolutions were passed.
- 5.2 Kāinga Ora operational requirements do not currently support mixed tenure (social and affordable or market housing) within a single building. In addition, while affordable housing has recently become part of Kāinga Ora's mandate, no policy, definitions, or funding have yet been made available to implement it. There is currently no mechanism for Kāinga Ora alone to deliver to the affordable housing (built accommodation) part of the proposal and it is not considered that this will become available in the short to medium term.
- 5.3 On the site at 42 Rutherford Street, it is likely a mix of tenures (social and affordable) within one building will be required due to site constraints, however there is opportunity for dual entry points. This would unlikely meet Kāinga Ora operational requirements but may be a model acceptable with Community Housing Providers (CHPs). The site at Achilles Avenue is however large enough that a mixed social and affordable tenure development could be created with physical separation thereby meeting Kāinga Ora's current operational requirements.
- 5.4 Following the 28 October Council meeting, and after determining funding and operational constraints, Kāinga Ora came back to officers with a proposal that they fund and construct a 100% social housing development on the 42 Rutherford Street site. Development of 42 Rutherford Street for social housing has a clear pathway and funding and can commence via a standard Kāinga Ora development process. However, this does not meet the resolutions set out by Council for mixed tenure (social and affordable) developments.
- 5.5 The funding of the construction and ownership of a mixed tenure social and affordable housing has a less clear pathway for 69 to 101 Achilles Avenue. The cost of development on the Achilles Avenue site is significant and presents challenges in achieving affordable thresholds, particularly when these are assessed within the Nelson household income context.
- 5.6 An innovative and flexible approach in partnership with iwi/Māori and/or private partners will be required to achieve Council and Kāinga Ora's

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affordable housing priorities for both 42 Rutherford Street and 69 to 101 Achilles Avenue.

- 5.7 Kāinga Ora is able to participate in commercial partnership with another party to deliver affordable housing and may be able to fund land development for this, subject to a viable housing delivery model being in place and funding to be paid back at completion/sale.
- 5.8 Kāinga Ora are willing to investigate an alternative delivery model in partnership with Council, iwi/Māori, CHPs and/or private partners to develop options to structure a commercial arrangement to deliver affordable housing on the Achilles site.
- 5.9 Flexibility on the definition/scale of affordable housing will be necessary to ensure commercial viability. It is likely that affordability may need to be defined by a range of price points to income ratios, different typologies, and tenures and/or offset by some market housing to make the development financially feasible and attractive to partners. The exact combination will need to be worked through with potential development partners.
- 5.10 It was identified in the public feedback document, seeking the communities views on the sale of the sites in September 2021, that *"Kāinga Ora has yet to decide the portions or different types of affordable housing to be included in the development (if it does go ahead following this feedback process), and this will depend on them partnering with other housing providers such as iwi, community housing providers and developers. Kāinga Ora has advised that any housing development on these sites will be less than 50% social housing, with the greater portion being made up of different types of affordable housing"* (page 7).
- 5.11 Kāinga Ora and the Ministry of Housing and Urban Development (MHUD) are continuing to work on new models and definitions of affordable housing which may be able to guide this process as development progresses.

#### **Options proposed by Kāinga Ora**

- 5.12 Kāinga Ora has identified three options for proceeding with the social and affordable housing development. The options and the potential partnership models for each of them are currently being progressed by the Kāinga Ora Project Team including at a one day workshop on 23 June with Council officers. Following the workshop Kāinga Ora have confirmed they wish to continue with pursuing option 3 below.
- 5.12.1 Option 1: Kāinga Ora purchase and develop 42 Rutherford Street now for 100% social housing (as funding and development mechanisms are in place), and then purchase the 69 to 101 Achilles Ave site once iwi or other commercial partnership is in place (which is required to progress affordable housing).



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- 5.12.2 Option 2: Kāinga Ora wait to purchase both properties until iwi or another commercial partnership is in place for 69 to 101 Achilles Avenue. 100% social housing is developed on 42 Rutherford Street and a mixed social and affordable housing development occurs on 69 to 101 Achilles Avenue.
- 5.12.3 Option 3: Kāinga Ora enters into a conditional sale and purchase agreement to purchase both properties (42 Rutherford Street and 69 to 101 Achilles Avenue) for mixed tenure (social and affordable) subject to a suitable development partnership(s) with iwi, CHPs or other commercial housing provider being established.
- 5.13 The Council's Kāinga Ora Governance Reference Group has identified a further two options for proceeding with the social and affordable housing development:
- 5.13.1 Option 4: Kāinga Ora enter into a sale and purchase agreement for the purchase and development 42 Rutherford Street for 100% social housing (as funding and development mechanisms are in place) and commence development straight away, and enter into a sale and purchase agreement to purchase 69 to 101 Achilles Ave site conditional on iwi or other commercial partnership being in place (which is required to progress affordable housing).
- 5.13.2 Option 5: Kāinga Ora enters into a conditional sale and purchase agreement for only the purchase of 69 to 101 Achilles Avenue for social and affordable housing via an iwi or other commercial partnership. Council considers other options to leverage housing on 42 Rutherford Street.
- 5.14 The advantages, disadvantages and risks of each of these options are discussed in section 6 of this report.

### **Council Resolutions**

- 5.15 The Council's decision of 28 October 2021 to sell 42 Rutherford Street and 69 to 101 Achilles Avenue to Kāinga Ora for a social and affordable housing development was subject to an approved negotiating brief that included numerous terms.
- 5.16 A key term of the negotiating brief is that the development would be less than 50% social housing with the remainder being a mix of affordable housing types.
- 5.17 This reflected the stated intention in the consultation documents that less than 50% of household units of any development would be for social housing and the remainder would be a mix of affordable housing types.
- 5.18 Neither the consultation document nor Council's decision defined what affordable housing meant but stated:

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*“Kāinga Ora has yet to decide the portions or different types of affordable housing to be included in the development (if it does go ahead following this feedback process), and this will depend on them partnering with other housing providers such as iwi, community housing providers and developers. Kāinga Ora has advised that any housing development on these sites will be less than 50% social housing, with the greater portion being made up of different types of affordable housing”.*

- 5.19 Legal advice on Option 1 (Kāinga Ora purchase and develop 42 Rutherford Street now for 100% social housing (as funding and development mechanisms are in place), and then purchase the 69 to 101 Achilles Ave site (once iwi or other commercial partnership is in place), does not fall within the scope of the proposals that the community was consulted on which focused on a mix of social and affordable housing across both the sites. Legal advice is that further public feedback would be required before proceeding with this option.
- 5.20 Legal advice on Option 2 (Kāinga Ora wait to purchase both properties until a development partnership is in place for Achilles) and Option 4 (Kāinga Ora purchase both sites now, with the purchase agreement for Achilles being conditional upon a development partnership being established for affordable housing) outlines there is a risk that submitters could consider that these options are also not within the scope of the previous community consultation which arguably focused on a mix of social and affordable housing across both the sites. Legal advice is also that further public feedback would be required before proceeding with these options.
- 5.21 Officers consider that for any of Options 1, 2, or 4 additional community feedback will need to be sought and changes made to Councils existing resolutions from the 28 October 2021 meeting. Options 3 and 5 fit within the scope of the community consultation already undertaken, provided Kāinga Ora is the landowner. There is a possibility that some models within Option 3 may result in another party (such as a CHP) being the landowner, however this will not be known until the development partnership is established. Depending on the details of such a partnership, amendments to Council resolutions or further community consultation may be required.

#### **Stafford Claim**

- 5.22 An additional issue that Kāinga Ora need to resolve before entering into a sale and purchase agreement for either of the sites is the Stafford Claim as part of the Wakatu proceedings. Pending the outcome of the claim Kāinga Ora may find that any land they own may be required to be returned to Wakatu Incorporation, and particularly should they seek to on sell it as part of an affordable housing development. Kāinga Ora are currently considering the implications of this for the purchase of land from Council, for different partnership models and on their ability to implement the housing development.

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- 5.23 By way of background, in June 2021 the High Court released its decision that found Kāinga Ora land is not deemed to be Crown land for the purpose of that proceeding and Ministers did not err in law by not issuing a direction to achieve Mr Stafford's aims. The Court of Appeal upheld this decision. However, on 2 June 2022, Mr Stafford filed an application seeking leave to appeal the Court of Appeal's decision to the Supreme Court. This application is expected to be considered in late 2022. If granted, the Supreme Court is likely to consider the appeal in mid to late 2023.

#### **Infrastructure Acceleration Fund**

- 5.24 Council was notified on 3 May 2022 that the Infrastructure Acceleration Fund (IAF) application for the Bridge Street Linear Active Transport Corridor, city centre water ring main, Paru Paru Road wastewater treatment plant upgrade and Saltwater Creek flood gate has been approved to proceed to negotiation stage. Negotiations may be affected by timing delays and scope changes of the Kāinga Ora social and affordable housing development proposal. At the time of writing this report officers are aligning project timelines and participating in negotiations with the IAF team. Officers can provide further details on negotiations at the meeting.
- 5.25 The IAF team has made it clear that for Council to receive the full \$32million of funding sought the housing yield will need to be increased from the 175 units proposed as part of the Kāinga Ora social and affordable housing developments on both 42 Rutherford Street and 69 to 101 Achilles Avenue. Officers are currently working on approaching other developers in the infrastructure catchment to see if they would be willing to enter into Housing Outcomes Agreements. A decision on the options of this report may also affect the yield able to support the IAF application by 45 household units, this being the anticipated yield from Rutherford Street.
- 5.26 The IAF team have indicated that Council would have a period of a year or so to negotiate Housing Outcome Agreements with developers and that the IAF contract with Council can be entered into conditional upon Council achieving those.

#### **Coastal Inundation and Implications**

- 5.27 New information has been received from Te Tai Pari O Aotearoa and that shows specific sea level rise projections along with vertical land movement. This indicates that with respect to coastal inundation that flood levels for 2130 have increased by around 300mm and for RCP8.5M, and that sea level rise (SLR) of 1.48m is now likely compared to 1.18m provided in the 2017 Ministry for the Environment (MfE) coastal hazards guidance.
- 5.28 This work has been supported by MfE and officers understand that the MfE will be issuing updates to their guidance in August 2022. This new

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information will have an impact on both 42 Rutherford Street and 69 to 101 Achilles Avenue sites and will need to be worked through.

- 5.29 Current LIM notations, applied to all properties affected by coastal inundation includes for 1% AEP and 1.5m SLR. Should the Council adopt, for example RCP 8.5H+, then that would increase SLR from 1.52m to 1.96m and would require a change to LIM notifications.
- 5.30 At the 9 June 2022 IAF/Council workshop, officers advised the IAF team during the site walk around, the sites are affected by coastal inundation. The developer (Kāinga Ora) is also aware of this. However, at this stage further work is required to identify the exact design implications on the proposal. This is an opportunity for the Government, Council, and development partners to explore exemplar solutions that integrate the building design with the Bridge Street Linear Active Transport Corridor.

## 6. Options

- 6.1 Council has the following six options to consider:

**Option 1: Kāinga Ora purchase and develop 42 Rutherford Street now for 100% social housing (as funding and development mechanisms are in place), and then purchase the 69 to 101 Achilles Ave site once iwi or other commercial partnership is in place (which is required to progress affordable housing).**

### Advantages

- Funding and development mechanisms are in place to enable Kāinga Ora to proceed with the development of 42 Rutherford Street as 100% social housing now.
- Will enable approximately 45 units of social housing to be made available to the community within the next 2 years.
- Addresses the immediate needs of some on the social housing register.
- Makes good use of a property surplus to requirements that is soon to be vacant.
- Provides certainty that some housing will proceed as required to support Council's IAF application for the Bridge Street Linear Active Transport Corridor and associated infrastructure upgrades to support housing in the city centre.
- Enables the housing development to be designed in conjunction with the Bridge Street Linear Active Transport Corridor.
- Enables continued negotiation with Iwi and/or other partners for the development of social and affordable housing on the Achilles Ave site.

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Risks and Disadvantages	<ul style="list-style-type: none"> <li>• Does not provide a mix of social and affordable housing on 42 Rutherford Street.</li> <li>• Will require further community consultation as 100% social housing on one site is not within scope of original proposal Council sought feedback on.</li> <li>• Significant delays in progressing the development will occur as a consultation process will need to be undertaken outside the local government election period.</li> <li>• There is a risk that the community does not support 100% social housing on the Rutherford Street site.</li> <li>• There is a risk that a social and affordable housing development partnership and model cannot be realised for 69 to 101 Achilles Avenue or that this takes some years to progress.</li> <li>• There is a risk that a social and affordable housing development partnership is not established in time to meet IAF Housing Outcomes Agreement requirements and that IAF funding cannot be realised.</li> </ul>
<p><b>Option 2: Kāinga Ora wait to purchase both properties until iwi or other commercial partnership is in place for 69 to 101 Achilles Avenue. 100% social housing is developed on 42 Rutherford Street and a mixed social and affordable housing development on 69 to 101 Achilles Avenue.</b></p>	
Advantages	<ul style="list-style-type: none"> <li>• 45 units of social housing on Rutherford Street site are delivered and a mix of 130 social and affordable housing units on the Achilles sites are delivered.</li> <li>• Meets housing needs of the community.</li> <li>• May ensure that both properties are developed and designed in an integrated manner.</li> <li>• May ensure both properties may be designed and developed in conjunction with the Bridge Street Linear Active Transport Corridor pending time taken to establish development partnership.</li> </ul>
Risks and Disadvantages	<ul style="list-style-type: none"> <li>• Does not provide a mix of social and affordable housing on 42 Rutherford Street</li> <li>• May require further community consultation as 100% social housing on one site is arguably not within scope of original proposal Council sought feedback on.</li> <li>• May result in significant delays to social and affordable housing being supplied due to the need to establish a partnership approach for Achilles and then undertake a consultation process.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Does not address the immediate needs of some on the social housing register.</li> <li>• There is a risk that the community does not support 100% social housing on the Rutherford Street site.</li> <li>• There is a risk that a social and affordable housing development partnership and model cannot be realised for 69 to 101 Achilles Avenue or that this takes some years to progress and then development of neither site occurs.</li> <li>• There is a risk that a social and affordable housing development partnership is not established in time to meet IAF Housing Outcomes requirements.</li> </ul>
<p><b>Option 3: Kāinga Ora enters into a conditional sale and purchase agreement to purchase both properties (42 Rutherford Street and 69 to 101 Achilles Avenue) for mixed tenure (social and affordable) subject to a suitable development partnership(s) with iwi, CHPs or other commercial housing provider being established.</b></p>	
Advantages	<ul style="list-style-type: none"> <li>• 175 units of social and affordable housing are delivered across both sites</li> <li>• Meets the housing needs of the community</li> <li>• May ensure that both properties are developed and designed in an integrated manner.</li> <li>• May ensure both properties may be designed and developed in conjunction with the Bridge Street Linear Active Transport Corridor pending time taken to establish development partnership.</li> <li>• Is within scope of the community consultation previously undertaken, provided Kāinga Ora is the landowner.</li> </ul>
Risks and Disadvantages	<ul style="list-style-type: none"> <li>• May result in delays to social and affordable housing being supplied due to the need to establish a partnership approach.</li> <li>• Potential partnership models may result Kāinga Ora not ending up being the landowner, which may require amendments to Council's existing resolutions and/or further consultation to be undertaken.</li> <li>• There is a risk that a social and affordable housing development partnership and model cannot be realised for both sites or that this takes some years to progress and then development of neither site occurs.</li> <li>• There is a risk that a social and affordable housing development partnership is not established in</li> </ul>

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	time to meet IAF Housing Outcomes requirements.
<p><b>Option 4: Kāinga Ora enter into a sale and purchase agreement for the purchase and development of 42 Rutherford Street for 100% social housing (as funding and development mechanisms are in place) and commence development straight away, and enter into a sale and purchase agreement to purchase for 69 to 101 Achilles Ave site conditional on iwi or other commercial partnership being in place (which is required to progress affordable housing)</b></p>	
Advantages	<ul style="list-style-type: none"> <li>• Same as option 1</li> <li>• Shows commitment of Kāinga Ora to the development of both sites.</li> </ul>
Risks and Disadvantages	<ul style="list-style-type: none"> <li>• Same as option 1</li> </ul>
<p><b>Option 5: Kāinga Ora enters into a conditional sale and purchase agreement for only the purchase of 69 to 101 Achilles Avenue for social and affordable housing via an iwi or other commercial partnership. Council considers other options to leverage housing on 42 Rutherford Street.</b></p>	
Advantages	<ul style="list-style-type: none"> <li>• Enables development of approximately 130 units of social and affordable housing on Achilles Avenue subject to iwi or other development partnership being established.</li> <li>• Does not require further community consultation as within the scope of the options Council previously consulted on.</li> <li>• Provides Council with the ability to pursue other partnerships or property disposal models to leverage housing on 42 Rutherford Street, potentially subject to community feedback.</li> <li>• Enables Council to enter into the IAF contract conditional upon a Housing Outcomes Agreement with Kāinga Ora for Achilles Ave for 130 units.</li> </ul>
Risks and Disadvantages	<ul style="list-style-type: none"> <li>• May affect IAF negotiations as the Housing Outcome is reduced by 45 units although officers are currently working towards gaining further yield to be committed to via a Housing Outcomes Agreement within the infrastructure catchment.</li> <li>• May be subject to delays as a result of establishing a development partnership or may never be realised if no development partnership can be negotiated.</li> <li>• Does not enable social housing to be immediately developed on 42 Rutherford Street and an immediate community need is not met.</li> </ul>

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<b>Option 6: Advise Kāinga Ora that Council is no longer interested in selling 42 Rutherford Street and/or 69 to 101 Achilles Avenue for a social and affordable housing development given the uncertainty of delivery of the intended mix of social and affordable housing across the two sites.</b>	
Advantages	<ul style="list-style-type: none"><li>• The properties are available to leverage housing outcomes via other means and partnerships.</li></ul>
Risks and Disadvantages	<ul style="list-style-type: none"><li>• Does not deliver on Council's priority of affordable housing and intensification.</li><li>• May affect Council's relationship with Kāinga Ora.</li><li>• Will have a detrimental impact on the IAF funding unless Council can enter into an agreement with other parties/developers to create affordable housing on these sites within IAF timeframes.</li></ul>

6.2 Officers consider that Option 3 best enables the Council to continue to pursue the creation of social and affordable housing within the scope of the proposals considered by the community in September 2021, and best enables Council to continue negotiations with the IAF funding.

## 7. Conclusion

7.1 This report provides Council with an update on the progress made on the proposal from Kāinga Ora to develop social and affordable housing developments on 42 Rutherford Street and 69 to 101 Achilles Avenue. The report also outlines the policy and funding challenges faced by the original proposal and the options to address these, in conjunction with the consideration of the effect on the IAF funding application for Bridge Street Linear Active Transport Corridor.

## 8. Next Steps

8.1 If the option recommended in this report is approved the next steps would be:

8.1.1 Advise Kāinga Ora of Council's decision.

8.1.2 Officers will work with Kāinga Ora as they progress negotiations for suitable development partners and social and affordable housing models and seek that they enter into a Housing Outcomes Agreement to support the IAF funding application.

8.1.3 Continue negotiations with the IAF and seek additional Housing Outcome Agreements from other developers in the infrastructure catchment.

8.1.4 Consider amendments required to existing resolutions and whether further consultation is required once a development partner(s) and model is determined and report back to Council.



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Item 2: Kāinga Ora Housing Development Update

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**Attachments**

Nil

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## Item 2: Kāinga Ora Housing Development Update

<b>Important considerations for decision making</b>
<b>Fit with Purpose of Local Government</b> <p>The recommendations in this report support the purpose of local government whereby the recommended decision enables Council to play a role in promoting the social, economic, environmental, and cultural wellbeing of the community through partnering with other to achieve social and affordable housing.</p>
<b>Consistency with Community Outcomes and Council Policy</b> <p>The recommendations in this report fit with the community outcomes;</p> <ul style="list-style-type: none"><li>• Our urban and rural environments are people friendly, well planned and sustainably managed</li><li>• Our communities are healthy, safe and resilient</li></ul>
<b>Risk</b> <p>Risks with each of the options are evaluated in the options table. There is significant reputation and legal challenge risks if Council elects to approve any of options 1, 2 or 4 without first undertaking community consultation. This is because those options are not within the scope of the proposals the Council put out for the community to consider, and the views of some received during that consultation process were strongly against 100% social housing on any one site in the city centre.</p>
<b>Financial impact</b> <p>If the option to divest the site(s) to Kāinga Ora for social and affordable housing development proceeds, negotiation of a sale price based on the market valuation can proceed. It is anticipated that the proceeds of any sale would be used to reduce debt.</p>
<b>Degree of significance and level of engagement</b> <p>This matter is of low significance if the officer's recommendation is approved as it fits within the scope of the original consultation undertaken in September 2021. If either of options 1, 2 or 4 are approved officers consider this decision would be of medium significance and require additional community consultation.</p>
<b>Climate Impact</b> <p>Climate change impact will need to be considered in the development design to be developed by Kāinga Ora. Sustainability and climate resilience requirements have been included in the design outcomes recommended as conditions to be negotiated as part of any sale and agreement process. Any development on these sites will also need to</p>

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### Item 2: Kāinga Ora Housing Development Update

consider and provide acceptable solutions for inundation from flood waters due to climate change.

#### **Inclusion of Māori in the decision making process**

Pre-engagement with Iwi was undertaken prior to the public feedback process and additionally at the NCC Iwi Managers Forum in preparing the previous deliberations report. Additional high level engagement with iwi/Māori has been undertaken by Kāinga Ora as part of their feasibility investigations for option 3.

#### **Delegations**

This matter is cross-committee as it falls within the delegation of the Infrastructure Committee, Strategic Development and Property Subcommittee and Urban Development Subcommittee, and therefore is a matter for Council.

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