

Community focused development case study - Avondale

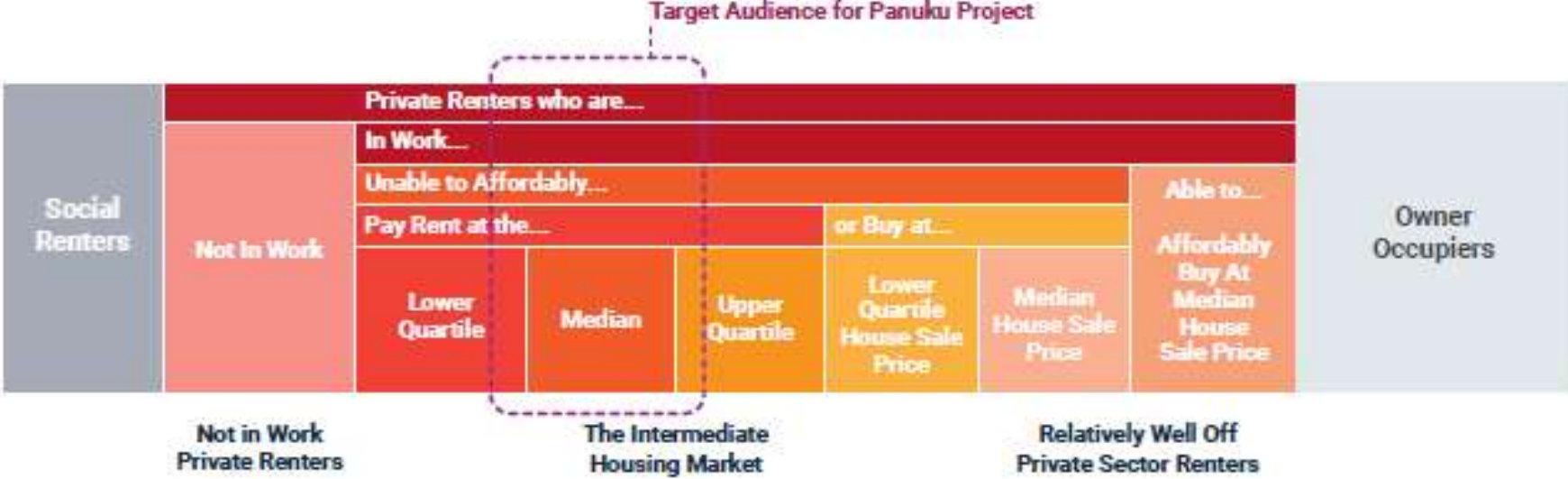
June 2020



AGENDA:

- **Who are we proposing this for?**
- **What is community focused housing?**
- **Locations & models considered**
- **Options**
- **Recommended Option**
- **How it works - overview**
- **Example family experience**
- **Risk mitigation measures**
- **Broad sector support**
- **Next steps**

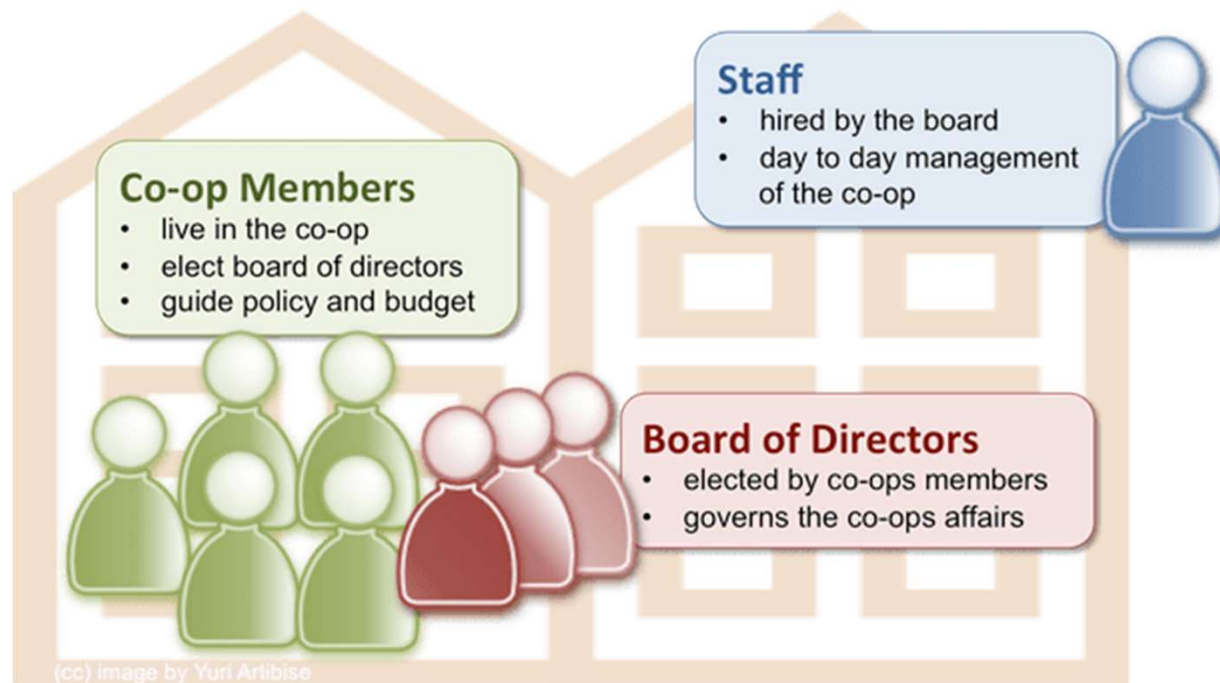
Who are we building homes for?



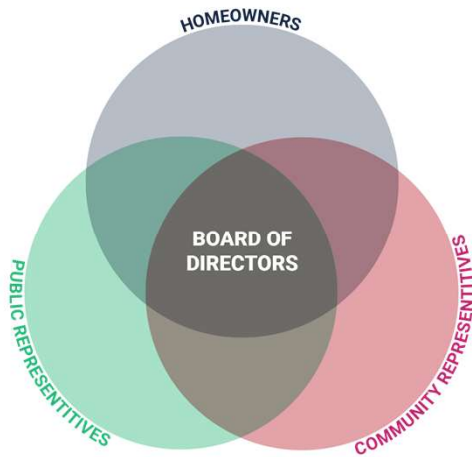
Co-housing example at Ranui



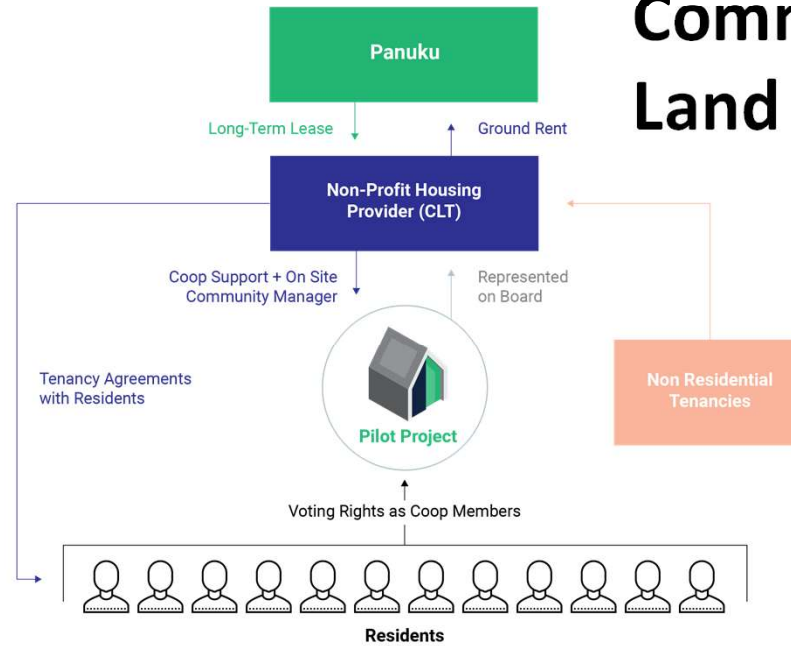
Co-operative



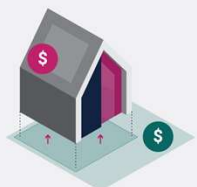
Community Land Trust



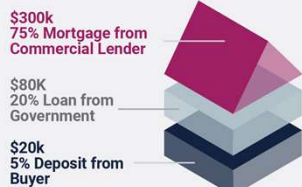
A CLT Board is typically made up of those who are or will be living there, members of the community, and representatives of various public entities, trusts and organisations



PERPETUALLY/GENERATIONALLY AFFORDABLE HOUSING



1. Separate land price from the house price



2. Negotiate lower deposit and subsidy or shared equity



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

SITE SELECTION

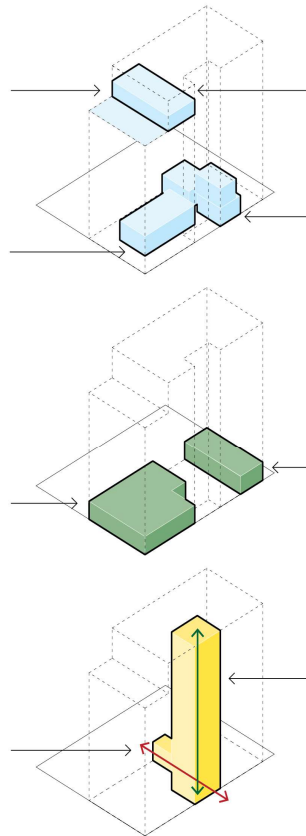
Avondale
Vs
Panmure



Community focused programming

- Café
- Childcare centre
- Horizontal and vertical circulation
- Shared gardens
- Optional space on ground floor
- Shared laundry

TOWER OPTION

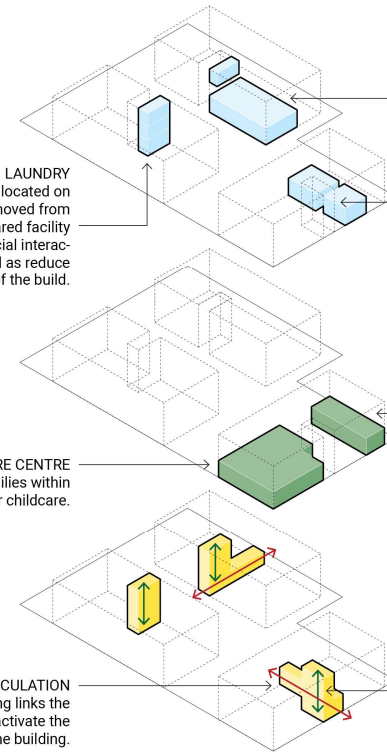


LAUNDRY
Shared laundry facilities located on ground floor. Laundries are removed from apartments and one large shared facility is provided. This increases social interaction within the building as well as reduce the overall cost of the build.

CHILDCARE CENTRE
Childcare Centre gives the families within the building an option for childcare.

HORIZONTAL CIRCULATION
Laneway through the building links the wider site activating to fully activate the Ground Floor of the building.

3 STORY WALK-UP OPTION



KITCHEN, DINING, OUTDOOR & COMMONS
Shared kitchen and dining spaces connected to ground floor outdoor Area. The outdoor area can incorporate productive gardens or play areas for children. Common area for all residents to play table tennis, lounge in a communal library and have a place to relax outside their specific apartments.

OPTIONS SPACE
Ground floor options space to be determined by user. These could be workshops, tool share, wellbeing spaces, flexible event spaces etc...

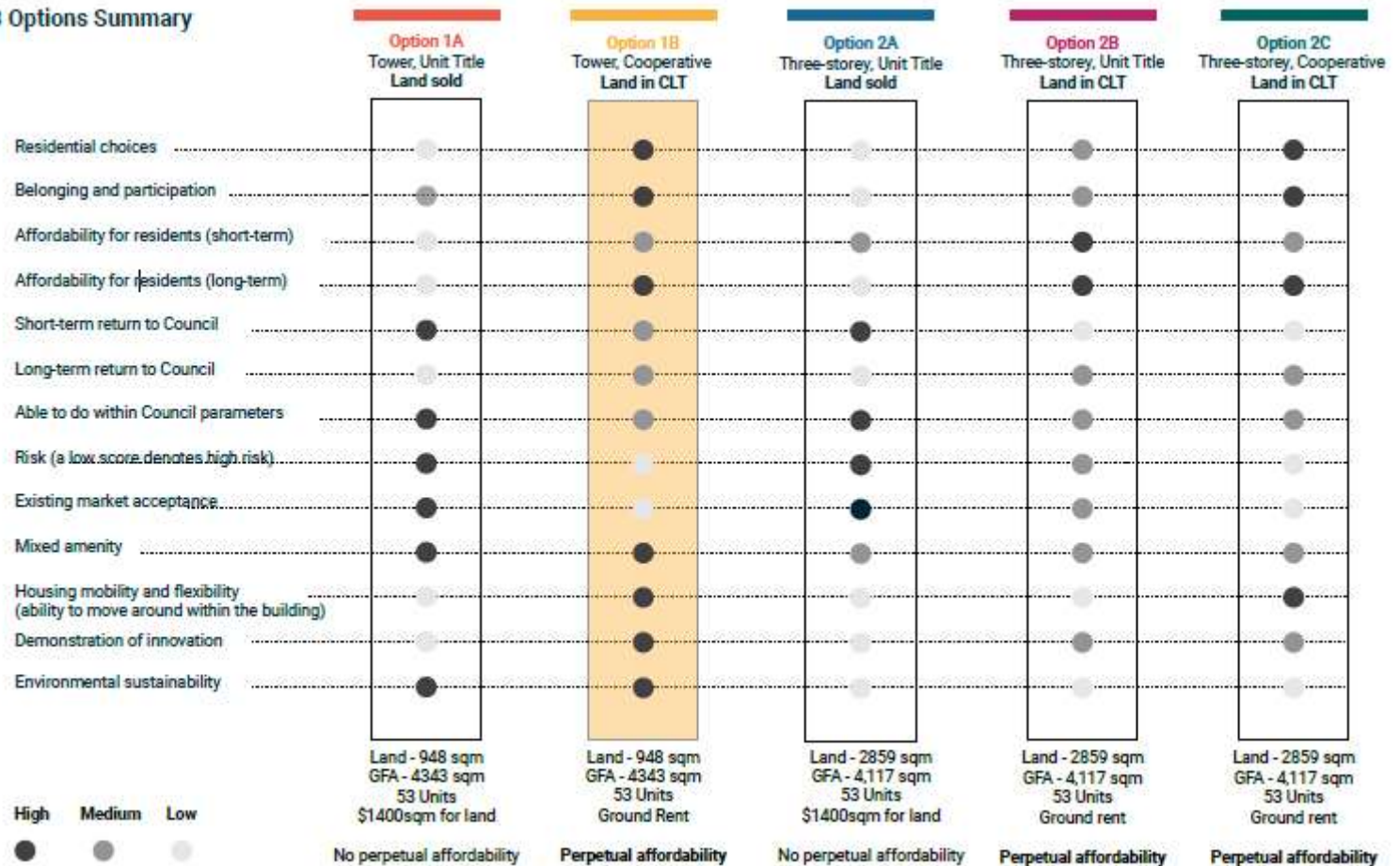
CAFE
Cafe at ground floor activates the square and engages the wider community.

VERTICAL CIRCULATION
Active circulation, promoting being active, overlooking town square, increasing 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.

- Café
- Childcare centre
- Horizontal and vertical circulation
- Shared gardens
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- Shared laundry

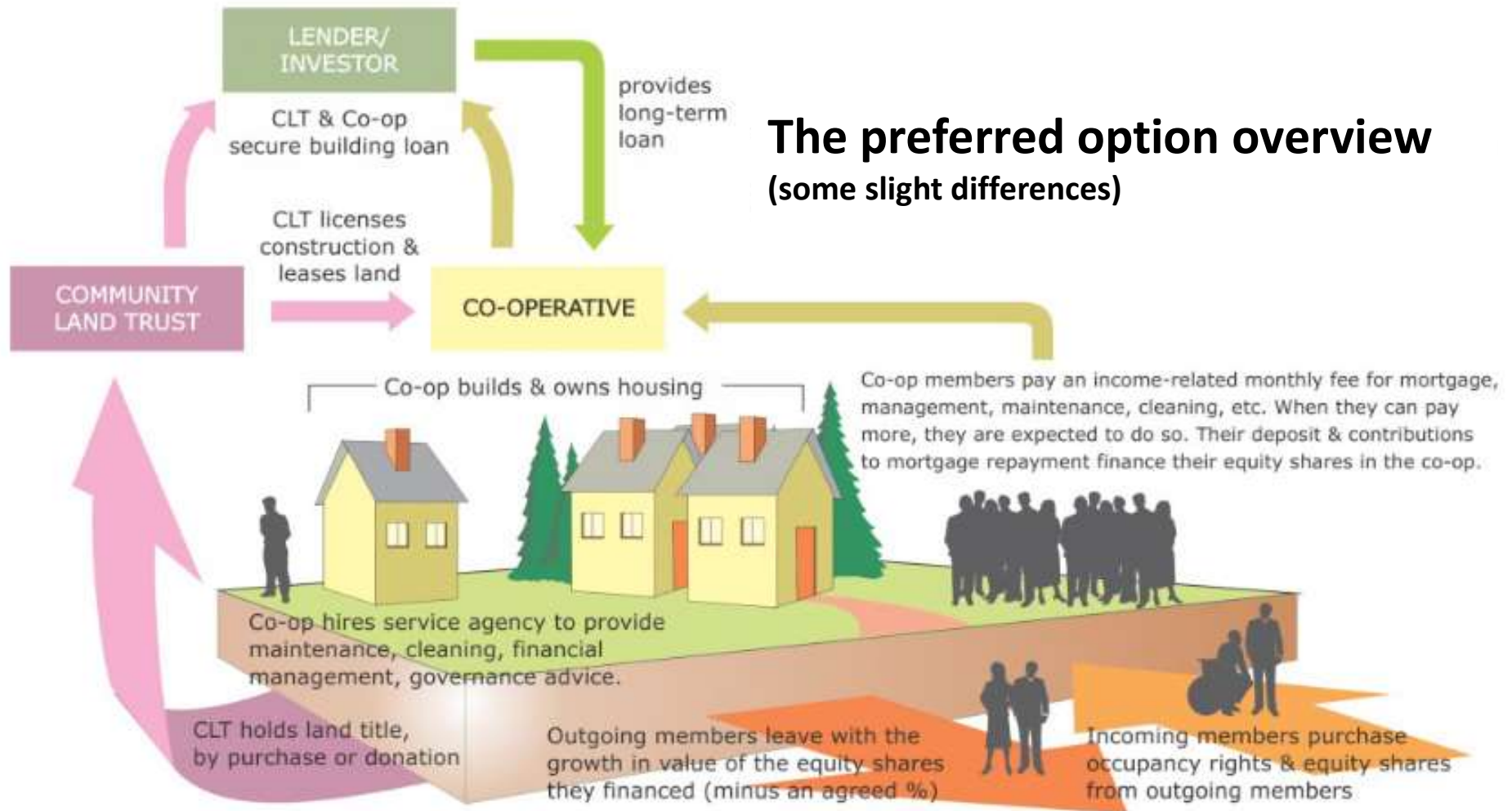
OPTIONS 2 – 6 RANKING

4.8 Options Summary



Options and chosen solution – All options provide 53 units and consider a land price of \$1,400m2. SDF purchased site	
Option 1 – Status Quo	<ul style="list-style-type: none"> • Kiwibuild and/or social housing providers deliver affordable housing. • Will not meet needs of the intermediate housing market.
Option 2 – Tower with unit title Nightingale hybrid (Co-housing)	<ul style="list-style-type: none"> • Total cost \$28.1m on 948m2 with land (valued \$1.3M) • 1 time home of 28% below market and 9% below Kiwibuild • Additional body corp costs • Perpetual affordability NOT achieved
Option 3 – Tower with limited equity cooperative ownership, land in Trust. PREFERRED OPTION	<ul style="list-style-type: none"> • Total cost \$28.1m on 948m2, valued at \$1.3m transferred to Community Land Trust • Land held in CLT, ground rent \$26.5k y1, increasing by \$10k pa, 99 year lease (Indicatively) • Occupant own exclusive right for share-holding in co-operative (\$55k buy in) • Occupant pays weekly amount inclusive of all costs including utilities • Perpetual affordability ACHIEVED
Option 4 – 3 level walk up, Unit titled	<ul style="list-style-type: none"> • Total cost \$26.9m incl for 2859m2 • 1 time home 25% below market and 5.6% below Kiwibuild • Body corporate fees liable for occupant. • Affordability in perpetuity NOT achieved.
Option 5 – 3 level walk up, Unit titled, land in Trust	<ul style="list-style-type: none"> • Total project cost \$21.5m, land cost of 2859m2 excluded • Annual ground payment starting at \$80k pa, increasing over time. • Units purchased initially at a 42% below market rate and 27% below Kiwibuild for an equivalent product. • Body corporate and ground lease payment costs additional • Affordability in perpetuity ACHIEVED
Option 6 – 3 level walk up, co-operative ownership and land in Trust	<ul style="list-style-type: none"> • Total project cost of \$26.9m, land cost of 2859m2 excluded • Annual ground payment starting at \$80k pa, increasing over time. • Occupant own exclusive right for share-holding in co-operative • Affordability in perpetuity ACHIEVED

The preferred option overview (some slight differences)

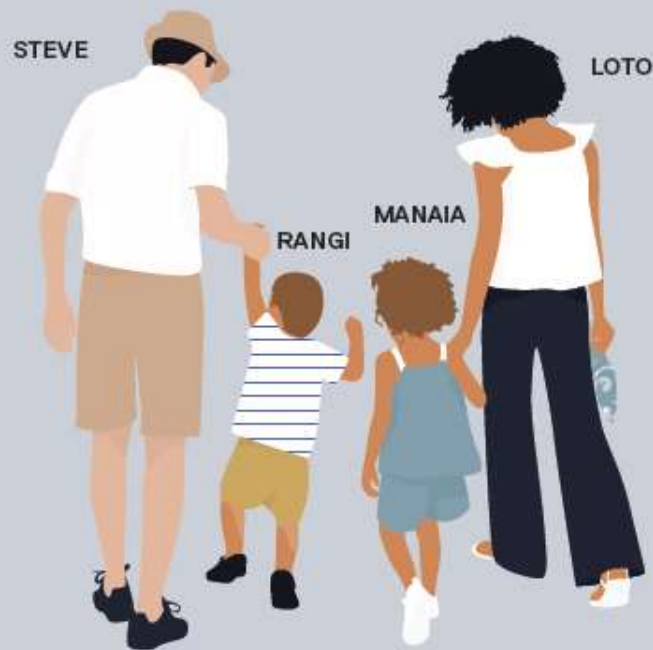


Source: Lewis and Conaty, *The Resilience Imperative* (New Society, 2012)



The model in practice – a family's experience

How community focused housing might benefit a four person family in Avondale.



Meet Loto and Steve Taylor, and their kids Rangji and Manaia.

Steve is an accountant and Loto works as a Physics tutor. They earn a combined income of **\$125,000** per year.

The Taylor's have recently moved out of Sandringham and are looking to live in **Avondale** because its closer to the train and they're excited about the new town square and community centre.

Status Quo.



\$655
PER WEEK

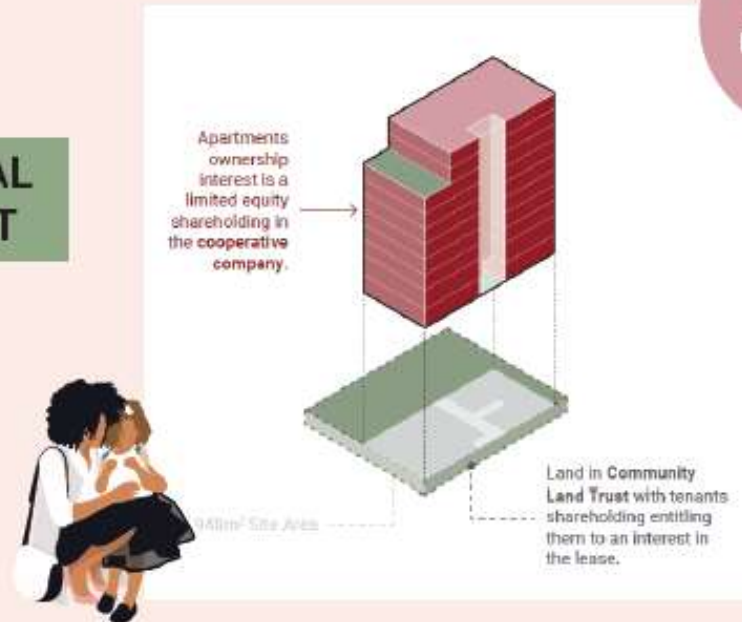
**INITIAL
COST**



Unfortunately the Taylor's don't have the 20% deposit nor the "**\$130k income**" needed to buy the cheapest unit they can find in Avondale so instead they rent a 2 bed unit for **\$655** per week.

With Community-focused housing.

\$620
PER WEEK



OR

The Taylor's find out about an exciting new community-focused housing opportunity where it costs just "**\$55k**" in equity to join the co-operative and where the weekly payment is **\$620** per week (much less than 30% of income).

Status Quo.



QUALITY

Unfortunately the rental the Taylor's get **is not of good quality** which means the children get sick often. Steve would like to change some of the internal layout but is not allowed.

With Community-focused housing.



OR

As part of the co-design process Loto and Steve **are able to directly contribute** in to the quality and design of their new housing. They are able to specify some internal features and discuss which shared facilities they would like to use.

Status Quo.



The Taylor's rental is not in walking distance to Avondale and so Steve finds it hard to physically get the kids to the library and therefore **isn't that involved in the community**. His neighbours do not talk to him and he finds life isolating when Loto is at work.

COMMUNITY

OR

With Community-focused housing.



Loto and Steve have made friends through the housing design and build process. They see them often now that it's finished! There is **plenty of common space** like the rooftop garden, shared childcare and the cafe "Heart of Avondale"- where other local people come to meet up and discuss the latest community consultation.

Status Quo.



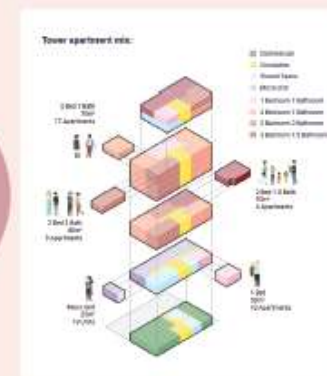
Over time (10 years) the cost of the Taylor's rental goes up to over **\$1,060** per week. Loto's income has risen much faster so unfortunately they still can't afford a deposit to buy a house, despite wanting another child and the kids growing up fast.

COST 10
YEARS LATER

With Community-focused housing.



\$785
PER WEEK



The co-operative has capped rent increases to 2% pa equating to just **\$785pw** for the Taylor's 2brm home 10 years after they moved in. The Taylor's **can afford to upsize** to a 3 brm home down the hallway, allowing their growing children to have a room each. Their share value of \$55k moves with them, which has also earned them **\$11k** share dividend in the meantime.

OR

Status Quo.



Avondale rental prices rise so fast that eventually the Taylor's have to leave Avondale. Private homes and rentals have become **too expensive**. The community changes significantly and the Avondale market closes down due to lack of customers who appreciate the affordable produce.

Town Centre
Benefit

With Community-focused housing.



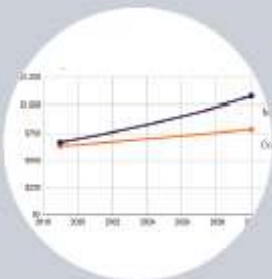
Avondale is so much better off thanks to the Community-focused housing project launched by Panuku. The community land trust with co-operative ensures that homes are **perpetually affordable**. It but has also caused other rentals to try and compete with the quality and prices of the co-operative. Avondale retains a strong vibrant and mixed community thanks to a carefully curated housing strategy.

How community focused housing might benefit a four person family in Avondale.

Earning combined \$125,000 per year.

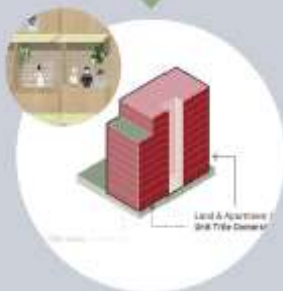


LOWER COSTS OVER TIME
PERPETUAL AFFORDABILITY



Initial Cost:
\$620 vs \$655pw
10 years later:
\$785 vs \$1,060pw

IMPROVED
DESIGN QUALITY



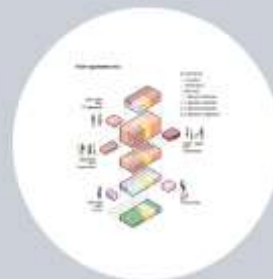
Direct contribution through co-design

STRONGER
COMMUNITY COHESION & GOVERNANCE



Common spaces & facilities governed by residents

LONG TERM
FLEXIBILITY WITH SECURITY OF TENURE

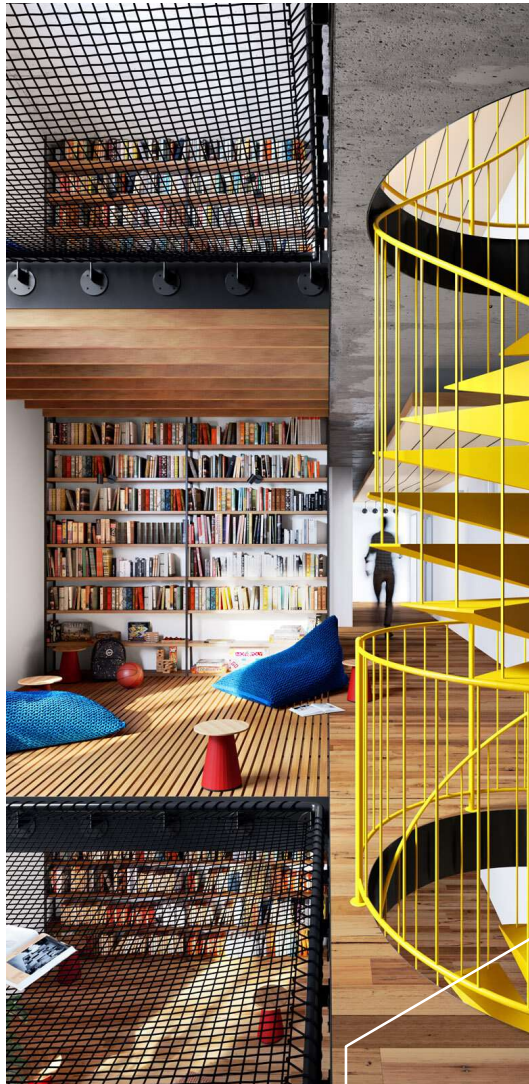


Ability to move at different life stages

LONG TERM
TOWN CENTRE BENEFITS



Social sustainability and resilience



Risk mitigation measures

- Co-design
- Integrated and collaborative procurement
- Loan underwrite
- Priced at below 10% market (recession proof)
- Impact investor could buy land
- Resident attraction after land & finance secured

We are creating change!



Why?

We need more housing choices to meet demand.

How?

Government Investment into leading the growth of community-focused housing.

Panuku/Crown Transaction with limited partnership.

Feasibility Report
Policy/ Approvals

Land Managed By CLT

CLT Board

Builder

Development by limited partnership to deliver the project.

Member Equity	Crown/Council + Investors + Residents via Cooperative
Social Impact Investment	
Bank Debt	

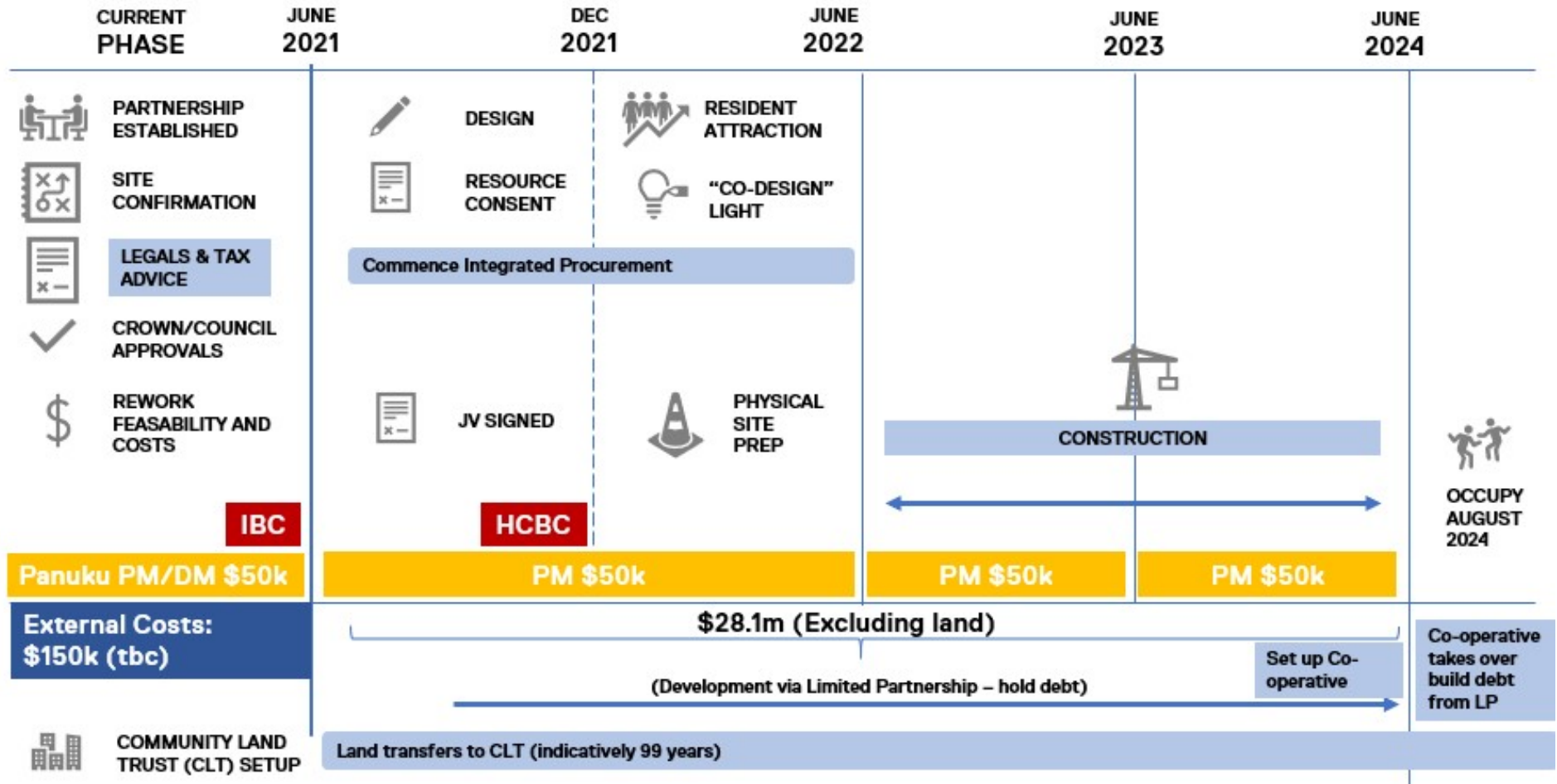
Investor 1	Investor 2
General Partner	
Coopers & Associates	TUA

Cooperative Board

Member 1	Member 2	Member 3

WHAT & THE HOW OVERVIEW

Community-Focused Housing Management Case Summary



SUPPORTING THE CFH SECTOR

COUNCIL

- Allocate land for CFH
- Underwrite developments
- Policy and legal certainty (de-risks investment finance)
- Rates and developer contribution breaks
- Resource/building consent support

CROWN

- Allocate land for CFH
- Underwrite developments
- GST breaks



Next steps:

- Engage with all parties with an active interest AC including KO
- Avondale Central IBC to include key relevant material (this IBC not yet to PSG)
- Confirm whether implementing the preferred option requires engagement and endorsement by Council.
- Establish a CLT including setting up a Board, electing members, developing the Trust Deed, and allocating initial operational funding.

IS1

STAND BY SLIDES ONLY

	Community focused housing	Community housing providers
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
Who for?	Moderate income, do NOT qualify for IRRS. Struggle to get deposit.	Low income (IRRS eligible), some shared equity
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.
Building design and programme	Usually apartments, shared common amenities. Non-residential spaces offset costs and contribute to local economy.	Generally individual homes.
Social cohesion and resilience	High as residents have vested interest in the design and governance of projects	Some CHP's involve future residents in decision making

Housing model overview

Co-housing

- Resident/architect led
- Own 1 unit and shared interest in common space
- Self governing by residents
- Some already in NZ including Earthsong in Ranui & Co-haus (Grey Lynn)
- Not scalable to deliver perpetual affordability

Community Land Trust

- private non-profit organisations holding title to property in perpetuity
- Serves community and individual needs simultaneously
- House purchased by individual/co-operative
- Land stays with Trust
- Kāinga Ora & Hamilton Council exploring
- Perpetually affordable

Co-operative

- Residents are shareholders of company that owns building
- ownership structure enables a reduced deposit amount
- Member pooling enables efficiencies of scale
- Provides opportunities for participation in governance
- Perpetually affordable

Risk description	Mitigation measure
Market acceptance and resident participation	Thorough market engagement, sale and purchase process advertising unique below market housing options. Involving the residents early via co-design significantly de-risks given the end purchaser already exists to purchase the fit-for purpose product
Not completed on time, to cost or specification	Draw on expertise already utilised through the project so far and apply an integrated procurement and delivery approach.
Securing finance	Requirement for Council/Crown to have a role at the early stages of the project through land provision and underwriting guarantees.
Covid 19 recession trigger & cautious lending	Provided pricing through the feasibilities puts units at below current market housing prices. A 10% drop will still not compete with this delivery model.
Panuku/Council is unable through existing legal constraints to create an entity for which the land could be held as leasehold	The land could be sold to a social impact investor which only requires a small % return. This option limits the ability to retain affordability beyond the period of the agreement which could be up to 60 years (subsequent risks).
Reputational risk if community engagement undertaken in Avondale and unable to deliver project	No sales/marketing/engagement occur until the CLT is established, the land secured etc.

BENEFITS OF CFH

- *Human capital* - secure housing tenure, reduce gentrification and social housing pressure
- *Social capital* - increased civic pride and wellbeing through reducing social isolation
- *Economic capital* - provides perpetual housing affordability and reduces development/ construction costs





Strategic context

- Auckland Plan 2050, Outcome homes and places –
 - Direction 1: develop a quality compact urban form to accommodate growth
 - Direction 2: accelerate the construction of homes that meet Aucklanders' changing needs and preferences.
 - Direction 3: Shift to a housing system that ensures secure and affordable homes for all.
- AC's Affordable housing workstream, following an intervene and lead approach
- Panuku Cross cutting themes – balance social with commercial outcomes.