

Annex A: Overview of preferred option of \$340m investment for Eastern Porirua

Overview

This document provides further detail on the preferred option for a \$340 million higher density investment option in Eastern Porirua.

This option is largely based on Option 6 in the Kāinga Ora Eastern Porirua Programme Business Case (PBC), which incorporates higher housing density in line with the Medium Density Residential Standards (MDRS). This option was not included by the Kāinga Ora Board in the shortlist of investment options, due to the costs exceeding the \$307 million that Cabinet ring-fenced for Eastern Porirua from the Housing Acceleration Fund (HAF).

Te Tūāpapa Kura Kāinga-Ministry of Housing and Urban Development (HUD) and the Treasury have recommended Ministers consider raising the amount invested to align with:

- **Changes to residential density standards** – the medium density residential standards (MDRS) will enable landowners to build up to three homes of up to three storeys on certain sites. The application of higher density housing in and around centres and public transport nodes in Eastern Porirua significantly increases housing supply, and directly supports the Government's climate change outcomes and transition to a net carbon neutral economy.
- **Porirua Pacific Housing Initiative** - the Minister for Pacific Peoples has \$49 million ring-fenced in funding from Budget 2022 over 10 years to build up to 300 affordable homes for Pacific families in Eastern Porirua. The funding is held in contingency and is subject to approval of a business case. This high-density investment option provides greater flexibility to accommodate all 300 homes for the Porirua Pacific Housing Initiative.

Preferred enhanced option – key outcomes and changes to Option 6

The preferred option better meets the objectives of the Eastern Porirua LSP by greatly increasing supply of affordable housing targeted to the needs of the community. It invests in a higher yield of housing with sufficient amenity to support higher density living. The preferred option takes advantage of the money already invested to provide trunk infrastructure by providing significant additional supply that the new infrastructure allows for.

The preferred option retains the same outputs and net Crown investment (of \$340 million) as described in Option 6 of the PBC.¹ Details of outputs of the preferred option are outlined in Table 1 below. The changes of the preferred option relate to the affordable housing subsidy and the size of the contingency.

The preferred option has the following changes from Option 6:

- 300 houses tagged as affordable in Option 6 are now planned to be market lots, i.e. no affordable housing subsidy has been applied given that it is intended that these lots will be

¹ For details of Option 6, see pages 51, 77, 122 and particularly 134 of the Kainga Ora Eastern Porirua PBC

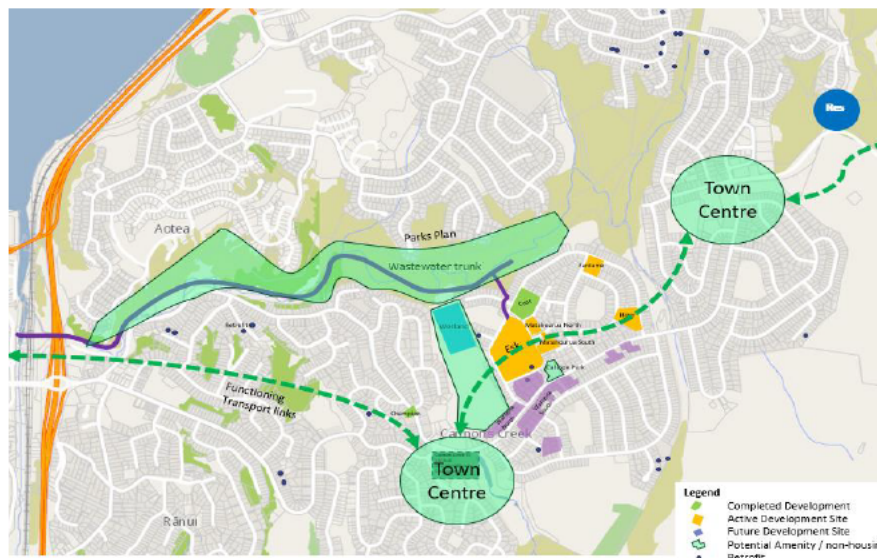
made affordable through the Porirua Pacific Housing Initiative (which the Crown is funding separately – subject to a business case).

- The preferred enhanced investment option includes an additional \$13 million to increase the operational contingency available to Kāinga Ora from P50 to at least P75 (\$42.5 million), reducing the likelihood of overspend to less than 25%. The increase in contingency is because the Porirua bid has already been scaled, we consider there is limited ability to scale it back further should costs escalate and unlike the Auckland PBCs Eastern Porirua is a single stage business case where an additional contingency is more appropriate.

Table 1: investment overview of preferred option

Scope	<ul style="list-style-type: none"> • Land development for two neighbourhoods • Geographic scope of land redevelopment works expanded to enable significant uplift in density and supply around town centre
New housing delivered	<ul style="list-style-type: none"> • Delivers 558 net new homes <ul style="list-style-type: none"> ○ 100 additional public homes ○ 101 additional affordable homes ○ 300 additional affordable homes (lots to be sold at market value and made affordable through the Pacific Housing Initiative) ○ 57 additional market homes
Improving amenities - regeneration	<ul style="list-style-type: none"> • Repair and improve the amenity of Bothamley Park and Calliope Park, some smaller "pocket parks" (\$11 million) • allowance for town centre initiatives (\$5 million) • improve transport networks with ped-links and cycleways, pedestrian refuge. This will assist with climate change via enhancing mode choice and reducing car dependency, at a cost of \$17 million. • Investment in amenity supports better urban outcomes within higher density neighbourhoods
Contingency	<ul style="list-style-type: none"> • Provision of an additional \$13 million in contingency, held as a buffer for anticipated cost increases.

Map 1: visual representation of the proposed investment in Eastern Porirua



Housing delivery and cashflow over ten years

The table below shows cashflow and estimated housing delivery over time. The housing numbers (744 homes) includes replacement public houses (186). The total new additional houses is 558.

The HAF funding provides for projects starting over the next five years, the table below shows the tail of projects that start in 2026 but are completed in the later years.

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	Total
Lots available for building (no.)										
Market	s 9(2)(j)									357
Affordable										101
State										286
Total homes enabled										744
Revenue (\$)										
Market superlot sales	s 9(2)(j)									
Affordable superlot sales										
State superlot sales										
Porirua City Council contribution										
Total revenue										
Costs (\$)										
Land development	s 9(2)(j)									
Precinct infrastructure										
Other precinct costs										
Starting rents										
Contingency										
Total costs										
Net costs	340.62									