Progressive Home Ownership Modelling Guidelines

Rent to buy

February 2022

Photo: Habitat for Humanity New Zealand

the propertygroup

Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Contents

Quality control

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Revision	Revision date	Details	Authorised	
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0.1	14/01/2022	Progressive Home Ownership Modelling Guidelines – Rent to Buy	H Brownlie Senior Property Consultant	
0.2	1/02/2022	Progressive Home Ownership Modelling Guidelines – Rent to Buy	H Brownlie Senior Property Consultant	
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0.4	25/03/2022	Final Progressive Home Ownership Modelling Guidelines – Rent to Buy	H Brownlie Senior Property Consultant	

Introduction - to the Rent to Buy Model

The Progressive Home Ownership (PHO) Fund is a $400 million investment that will help individuals, families and whānau buy their own homes, that would not otherwise be able to. Through the Fund, approved PHO providers can access a 15-year loan from the Government to partner with eligible households and whānau to help them achieve home ownership.

There are broadly three different methods that are used by providers to deliver PHO schemes:

1. Shared Equity

The eligible household/whānau becomes a part owner of a home with the approved PHO provider, the household/whānau then purchases the provider share within a 15-year period to reach independent ownership. The PHO loan funds the providers share in the property until it is bought by the household/whānau. This releases monies for the provider and can be used to repay the PHO loan.

2. Rent to Buy

The eligible household/whānau initially rents a home from an approved PHO provider. Savings are put aside while the household/whānau is renting, until they can purchase the home from the PHO provider within the 15-year period.

3. Leasehold

The eligible household/whānau purchases a registered leasehold interest in a home from the PHO provider with the right to occupy the property for a long term, such as 100 years. The freehold interest in the property is retained by the provider and the leaseholder pays a modest ground rent as well as servicing any mortgage commitment. Freehold home ownership is not achieved using a leasehold model, but the leaseholder has secure tenure in their own home and the opportunity to build savings over the term of the lease. The PHO loan supports the balance sheet of the provider, which must maintain its financial capacity to repay the PHO loan within the 15-year period.

Funding Milestone and Payment Arrangements

Providers can secure new homes to be used for PHO schemes in various ways, ranging from buying new completed homes directly from a house builder, through to buying and developing land and arranging for the construction of the homes. When funding applications are approved, there are four funding milestone and payment arrangements available through Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD). The type of funding arrangement and payment milestones depend on the way the PHO provider is planning to get the homes.

The four-funding milestone and payment arrangements are outlined below:

Development option	Funding milestone and payment timing
Option 1: Purchase on completion	100% on completion
Option 2: Turnkey development	10% for the deposit in the acquisition contract 90% on completion
Option 3: Land acquisition, site development and construction	30% on settlement of the land acquisition contract 30% on lockup 40% on completion
Option 4: Construction only (if you already own the site)	50% on lock up 50% on completion

The PHO provider's choice of development option carries different risk profiles for HUD. Given that PHO funding is a 15-year loan, a critical part of the assessment process to determine which PHO providers to approve for funding is understanding how they will spend the PHO funding and having confidence that they can repay the loan in 15 years' time.

Purpose of the Rent to Buy Financial Model and Guidance Document

The objective of the Rent to Buy financial model is to support Approved PHO Providers, HUD and organisations wanting to become PHO providers, and their respective stakeholders, to have a clear and consistent understanding of how to assess:

1. **Household Affordability** - if a household/whānau can afford to enter into the scheme and manage the journey through to the home ownership goal, and whether the provider will be able to repay the PHO loan within the 15-year period. This is important because in most cases, PHO providers rely on the household/whānau purchasing the PHO provider's interest in the home to repay the PHO loan.

2. **Project Feasibility** - if a proposed development to build PHO homes is feasible, and if the project will have sufficient funding throughout the development process and through to completion. This is also important because the provider will need to demonstrate how they will fund the development of homes they are putting households/whānau into.

This is less relevant for development options 1 and 2 (refer Table 1) because the builder/developer of the homes is responsible for fronting these costs, and the majority of HUD funding is only released when the home is completed, Code of Compliance has been issued and the eligible household/whānau has moved in.

For development options 3 and 4 (refer Table 1), the provider should be able to demonstrate a detailed construction budget, with confirmation that they have funding to complete the homes they want to use for PHO.

The two project feasibility models in this workbook (Preliminary Feasibility and Detailed Feasibility) allow you to input the costs and revenues for a development project and vary the inputs to assess the risk of a development.

The Detailed Feasibility model is particularly useful to test assumptions about development timelines, i.e., the purchase of the land (if relevant), planning and design, site development, engineering, infrastructure, subdivision, construction milestones, and staging, through to the estimated completion date.

Rent to Buy Financial Model Summary

The financial model is comprised of five key tabs, as described below:

Tab 1 - Affordable Housing Model (AHM – Rent to Buy)

Tab 2 - Preliminary Feasibility

Tab 3 – Rental Calculations

Tab 4 – Detailed Feasibility Inputs

Tab 5 – Detailed Feasibility Model

In addition to the above key tabs, the model comprises a Landing Page and Codes Tab respectively:

- The Landing Page records key information, including the purpose of the model, high level guidance and particulars of the project, for details refer to the Landing Page section.

- The Codes Tab includes household expenditure data extracts sourced from Te Tari Taake, Inland Revenue Department (IRD). The IRD data is applied to the AHM – Rent to Buy tables for household expenditure benchmarking, for details refer to Figures 4, 5 and 9, below.

Tab 1 – AHM – Rent to Buy

The AHM – Rent to Buy can be used to demonstrate whether a household/whānau or cohort of households/whānau can afford to enter into the scheme, as well as if/when they are able to achieve full homeownership within a 15-year period, therefore demonstrating that the PHO loan can be repaid within the period.

To assist with completing the AHM – Rent to Buy, we suggest providers refer to **Appendix 1: AHM – Rent to Buy Decision Tree** for guidance.

Tab 2 – Preliminary Feasibility Model

The Preliminary Feasibility Model provides a high-level assessment and indication of whether the proposed development is feasible and to demonstrate how providers will fund the development of homes they are putting households/whānau into.

The Preliminary Feasibility Model can be used by providers or prospective providers who are looking to undertake a development and are at the concept stage, having completed only little, or no, due diligence in relation to the development. Alternatively, the Preliminary Feasibility Model can be used to test a developer's costs and sale prices to ensure value for money.

To assist with completing the Preliminary Feasibility Model, we suggest providers refer to **Appendix 2: Project Due Diligence and Documentation Checklist.**

Appendix 3: Stage 1 Approach Decision Tree outlines how the Affordable Housing Model, and the Preliminary Feasibility Model can be used in conjunction to determine household affordability and project feasibility.

Tab 3 – Rental Calculations

Tab 3 – Rental Calculations can be used to assist the provider in determining the operational expenditure associated with the Rent to Buy scheme and how this might be covered by the rental payable by the household/whānau. The rental payable by each household/whānau and operational expenditure associated with the scheme can then be used to inform the **AHM – Rent to Buy.**

The amount of third-party lending (if any) required by the provider at the completion of the development/project is a key input of this tab and this can be estimated using **Tab 2 – Preliminary Feasibility Model**.

Tab 4 - Detailed Feasibility Inputs and Tab 5 - Detailed Feasibility Model

Tab 4 – Detailed Feasibility Inputs and Tab 5 – Detailed Feasibility Model work interdependently and can be used when a PHO provider is preparing to undertake the development themselves and has completed an advanced level of due diligence and is already confident that the development is feasible and the cohort of households/whānau can afford to enter the scheme.

These two tabs can be used to determine whether the provider's development, construction and funding milestones align and that the development (subject to approvals) is well positioned to proceed to completion. Examples of approvals include (but are not limited to) the provider's governance decision making, finance and consents.

Tab 4 – Detailed Feasibility Inputs tab can be used to input all revenue and cost related inputs associated with the project, this is then summarised and presented in Tab 5 – Detailed Feasibility Model.

Tab 5 – Detailed Feasibility Model can be used to understand the PHO provider's development timelines i.e., the dates they will acquire the land (if relevant), development milestones, construction milestones (noting that construction is often done in tranches), right through to the estimated completion date.

To assist with completing these two tabs, we suggest providers are confident that the development is feasible, please refer to **Appendix 2: Project Due Diligence and Documentation Checklist** of this document for feasibility guidance.

We also suggest providers consult with HUD as to whether this level of detail is required.

Landing Page

Purpose:

- To confirm the objectives of the model.
- Provide high level instructions and guidance on how to use the model.
- Capture key provider and project details.
- Version control.

Inputs and Assumptions:

- Enter Project details in the shaded green cells.
- Use this area to summarise any key findings.

Refer to Figure 1: Landing Page

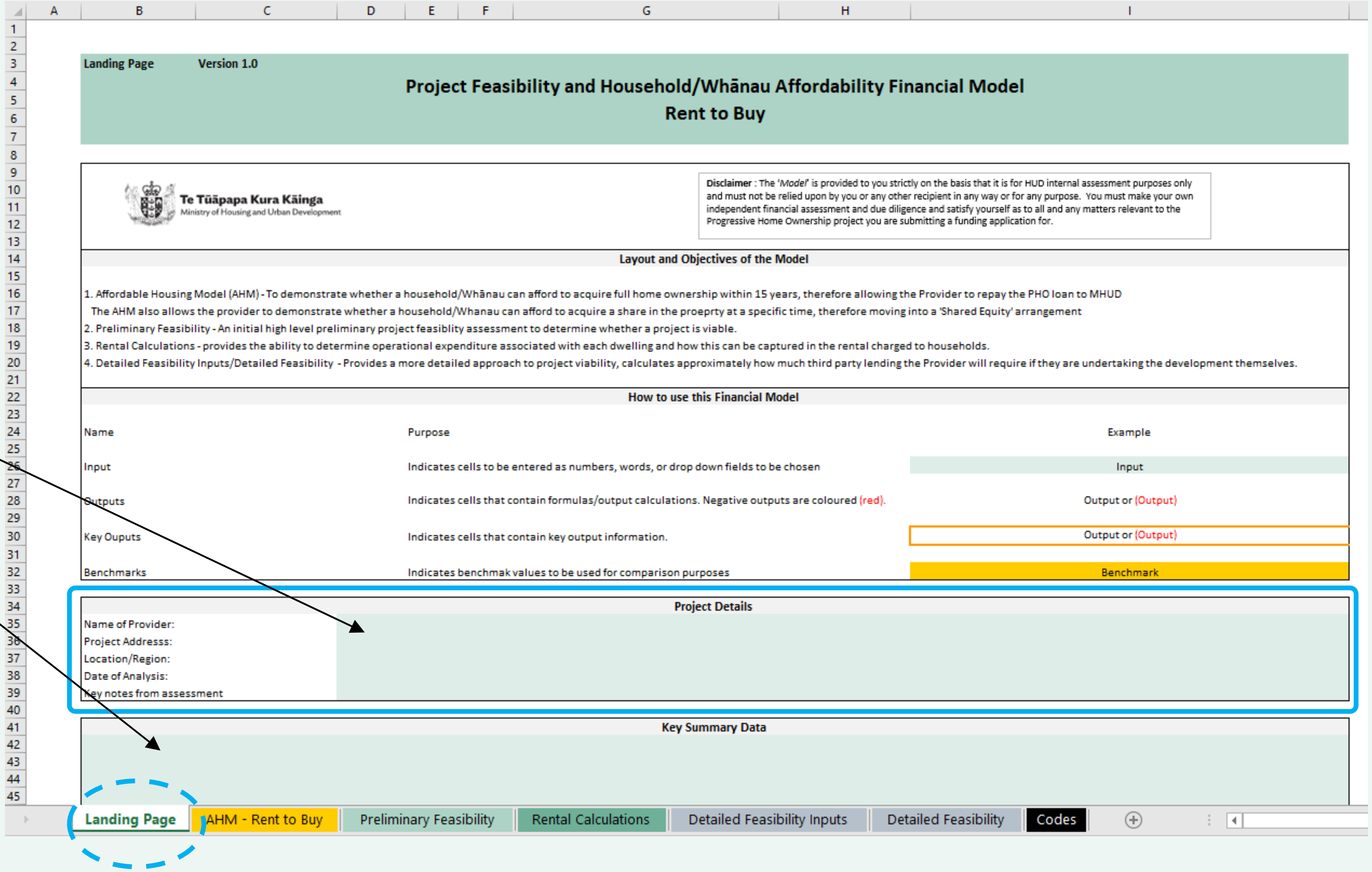


FIGURE 1: LANDING PAGE

Tab 1: AHM – Rent to Buy

The purpose of the AHM – Rent to Buy is to demonstrate whether a household/whānau can achieve independent home ownership within 15 years, and therefore enable the provider to payback the PHO loan within the 15-year period. The below model calculates approximately how many years it will take for the household/whānau to build up enough equity and cash reserves to buy the property outright from the provider.

As a secondary output, the model calculates how many years it will take for the household/whānau to build up enough equity and cash reserves to purchase a specified share in the property, if providers are considering this approach, then we suggest the AHM - Shared Equity model is used to determine whether independent home ownership can be achieved. The model uses the following criteria to determine when the household/whānau will be able to afford full or partial home ownership:

1. **Debt Servicing Ratio (DSR %) of < 30% -** The DSR % is the % of gross income that is attributed to debt servicing, rates and insurance.

2. **Loan to Value Ratio (LVR %) of <70% -** The LVR % is the ratio of the loan amount to the value of the property.

The model also uses a traffic light system for each year within the 15-year period to indicate whether the above criteria have been met (refer row 131-132 and row 143-144 of the AHM – Rent to Buy Tab) and Figure 2: AHM - Rent to Buy full or partial homeownership traffic light system, below.

Green – indicates that the above criteria have been met.

Amber – indicates that the above criteria have are close to being met with the **DSR <35%** and the **LVR <80%.**

Red – indicates that the above criteria have not been met.

	Start of Y1 Time of Application	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7	End of Year 8	End of Year 9	End of Year 10	End of Year 11	End of Year 12	End of Year 13	End of Year 14	End of Year 15
Loan to value % (LVR)	91%	88%	86%	83%	80%	78%	75%	73%	71%	68%	66%	64%	62%	60%	58%	57%
Debt servicing % (DSR)	39%	38%	37%	37%	36%	35%	35%	34%	33%	33%	32%	31%	31%	30%	29%	29%

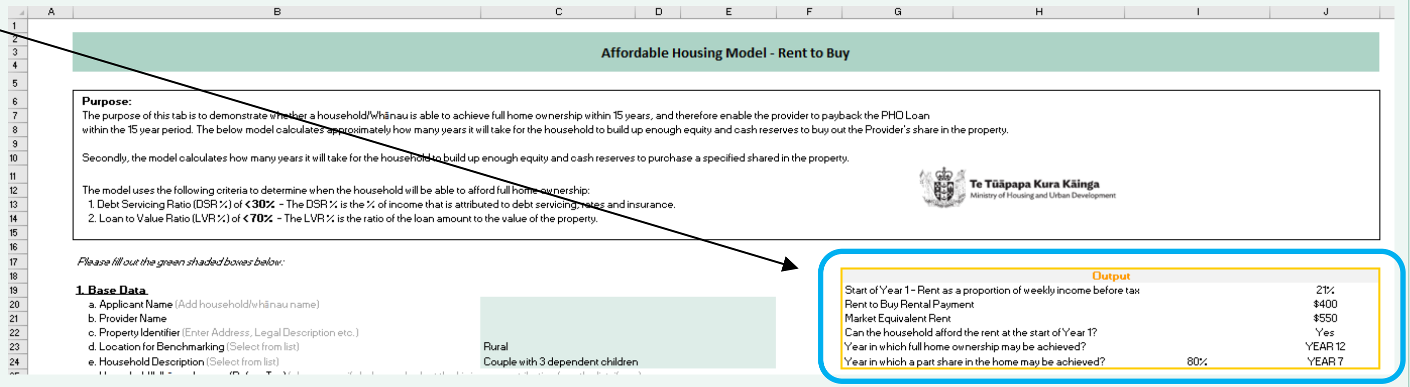
FIGURE 2: AHM - RENT TO BUY FULL OR PARTIAL HOMEOWNERSHIP TRAFFIC LIGHT SYSTEM

Key Outputs

The Key Outputs of the AHM – Rent to Buy are summarised in the table located at the top of the AHM model and include:

- Year 1 Rent as a proportion of income.
- 'Rent to Buy' Rental Payment.
- Market Equivalent Rent.
- Affordability at Year 1.
- Year in which full home ownership may be achieved.
- Year in which partial home ownership may be achieved.

Refer to Figure 3: Affordable Housing Model (AHM) - Key Outputs


Affordable Housing Model - Rent to Buy

Purpose:
The purpose of this tab is to demonstrate whether a household/Whānau is able to achieve full home ownership within 15 years, and therefore enable the provider to payback the PHO Loan within the 15 year period. The below model calculates approximately how many years it will take for the household to build up enough equity and cash reserves to buy out the Provider's share in the property.

Secondly, the model calculates how many years it will take for the household to build up enough equity and cash reserves to purchase a specified shared in the property.

The model uses the following criteria to determine when the household will be able to afford full home ownership:
1. Debt Servicing Ratio (DSR %) of **<30%** - The DSR % is the % of income that is attributed to debt servicing, rates and insurance.
2. Loan to Value Ratio (LVR %) of **<70%** - The LVR % is the ratio of the loan amount to the value of the property.

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Please fill out the green shaded boxes below:

1. Base Data

a. Applicant Name (Add household/whānau name)	
b. Provider Name	
c. Property Identifier (Enter Address, Legal Description etc.)	
d. Location for Benchmarking (Select from list)	Rural
e. Household Description (Select from list)	Couple with 3 dependent children

Output		
Start of Year 1 - Rent as a proportion of weekly income before tax		21%
Rent to Buy Rental Payment		$400
Market Equivalent Rent		$550
Can the household afford the rent at the start of Year 1?		Yes
Year in which full home ownership may be achieved?		YEAR 12
Year in which a part share in the home may be achieved?	80%	YEAR 7

FIGURE 3: AFFORDABLE HOUSING MODEL (AHM) - KEY OUTPUTS

Table 1. Base Data

Inputs and assumptions:

a. Enter the Applicant's Name

b. Enter the Provider's Name

c. Enter the Property to be Purchased.

d. Select the location for benchmarking from the drop-down menu of the relevant region (the specific regions relate to household expenditure benchmarks sourced from the Inland Revenue Department (IRD) – this drives benchmarking outputs from Column C57 to D73 within the AHM – Rent to Buy Model).

Refer to Figure 4: Affordable Housing Model - Table 1 Base Data

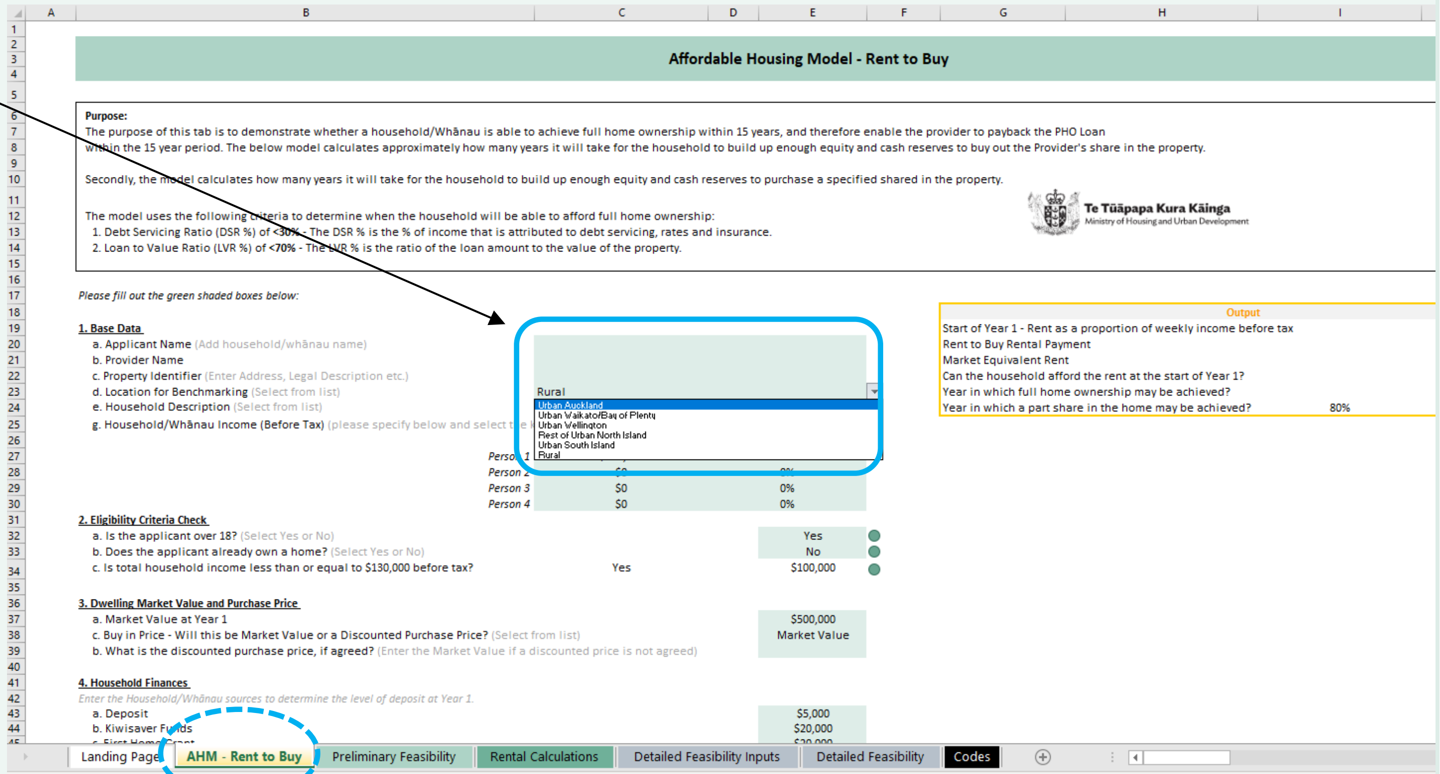


FIGURE 4: AFFORDABLE HOUSING MODEL - TABLE 1 BASE DATA

Table 1. Base Data

Inputs and assumptions:

a. Select Household Description from the drop-down menu of relevant household type. The household type relates to household expenditure benchmarks sourced from IRD – this drives benchmarking outputs from Column C57 to D73 within the AHM – Rent to Buy Model). These categories may not be representative of the household type you are working with; therefore, we suggest you select the closest option or complete your own independent assessment.

b. Enter the household income before tax of each household member, and the Kiwisaver contribution, if applicable.

Refer to Figure 5: Affordable Housing Model (AHM) - Table 1

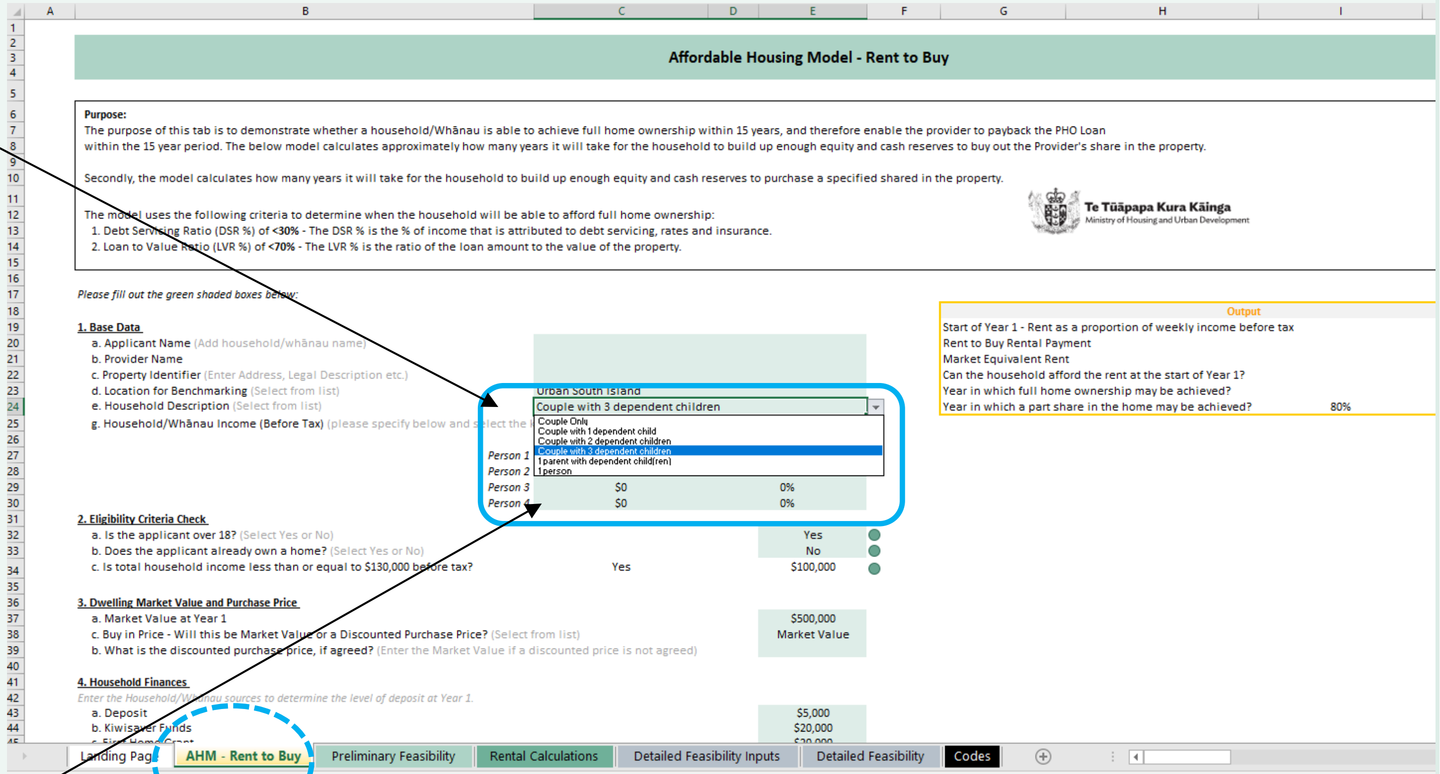


FIGURE 5: AFFORDABLE HOUSING MODEL (AHM) - TABLE 1

Table 2. Eligibility Criteria Check

Inputs and assumptions:

a. Confirm the applicant is over 18 years of age. Select Yes/No from the drop-down menu.

b. Confirm if the applicant already owns a home. Select Yes/No from the drop-down menu.

c. Confirm that the household income is less than or equal to $130,000 before Tax. No input required; this automatically calculates from inputs under 1. Base Data.

Refer to Figure 6: Affordable Housing Model - Table 2

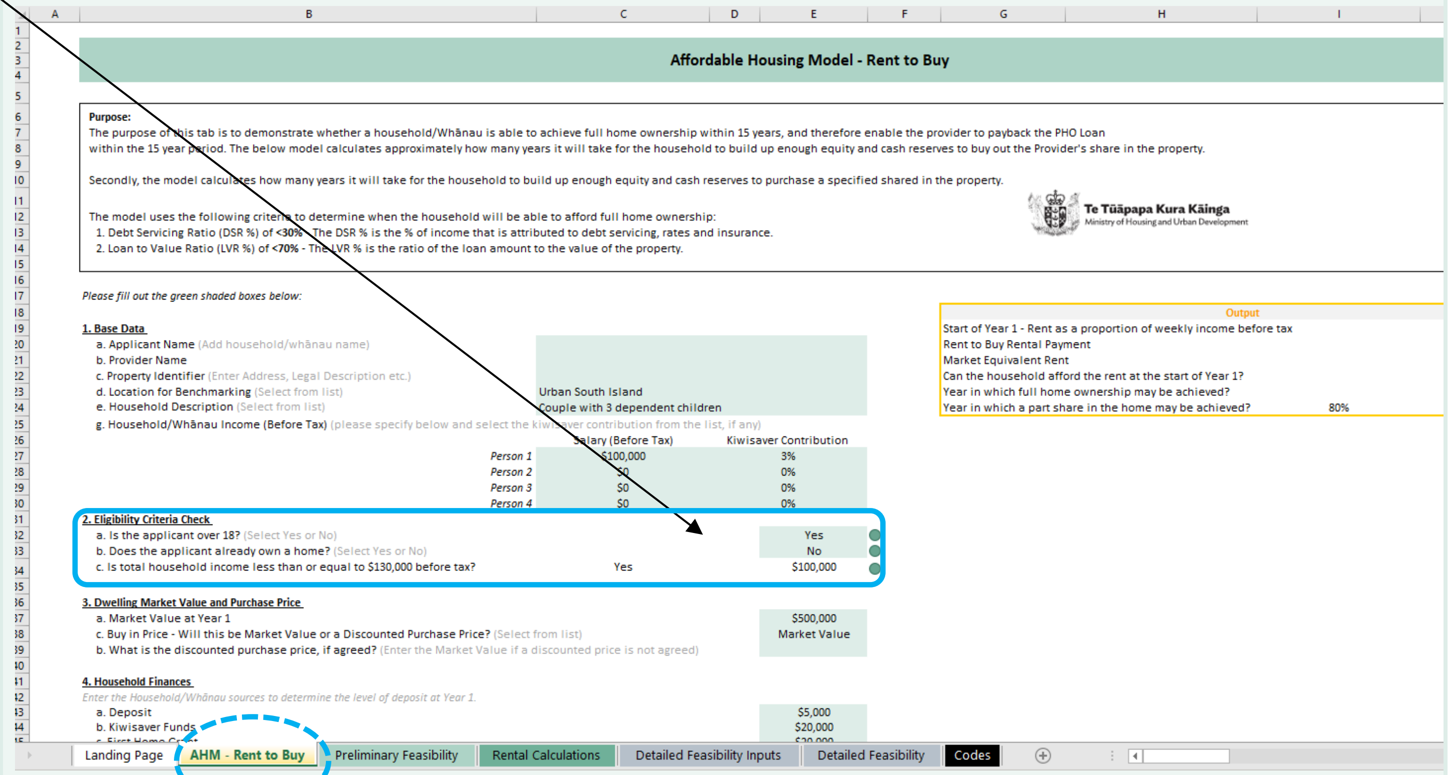


FIGURE 6: AFFORDABLE HOUSING MODEL - TABLE 2

Table 3. Dwelling Market Value and Purchase Price

Inputs and assumptions:

a. Enter the estimated Market Value of the property (including GST, if any).

b. Specify whether the 'Buy In' Price will be market value or a discounted price, select from the drop-down menu.

c. If a discounted price is desired, please enter the discounted 'Buy In' price.

Refer to Figure 7: Affordable Housing Model (AHM) - Table 3

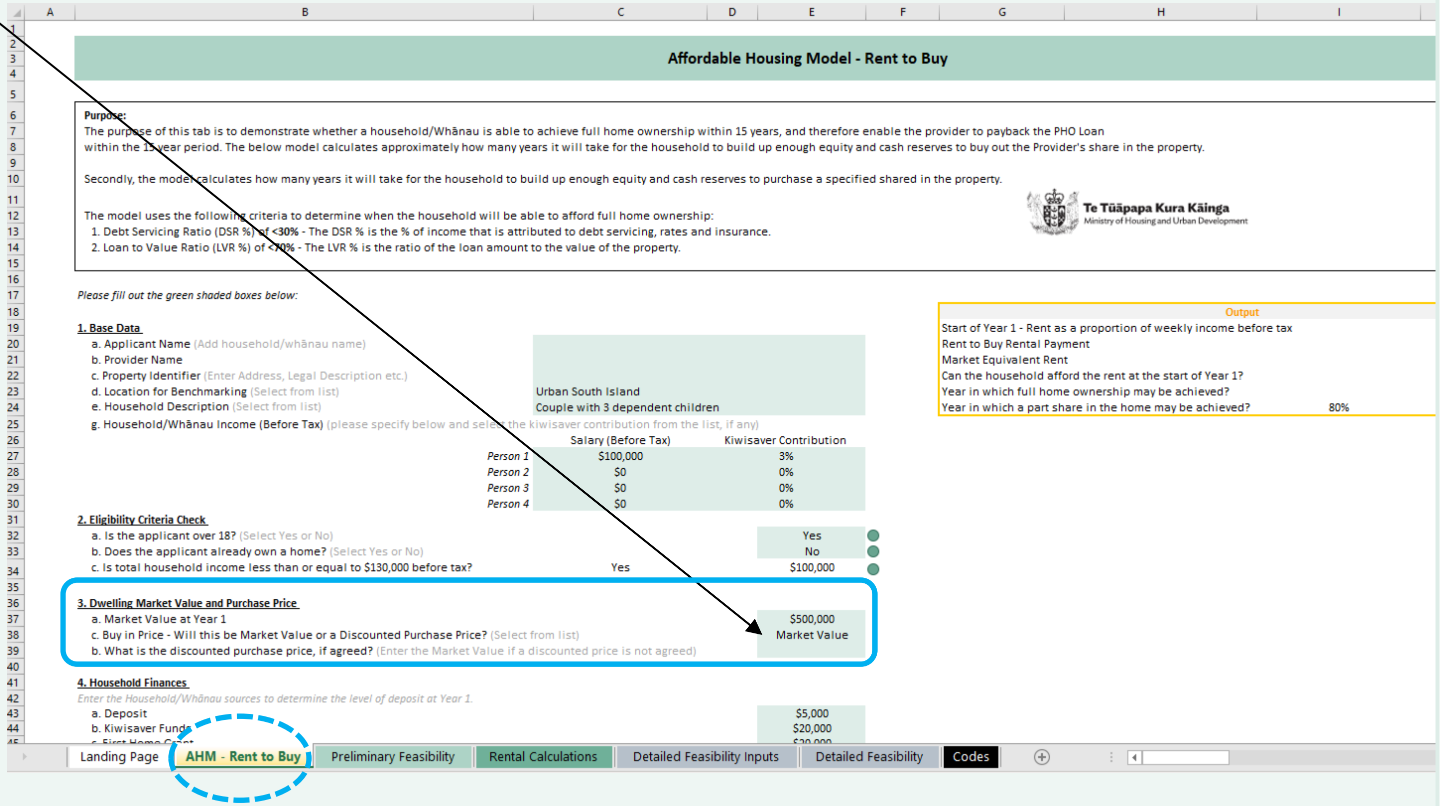


FIGURE 7: AFFORDABLE HOUSING MODEL (AHM) - TABLE 3

Table 4. Household Finances

Inputs and assumptions:

a. Enter deposit ($).

b. Enter Kiwisaver Funds ($).

c. Enter First Home Grant ($).

d. Enter other Resources, where applicable ($).

Results:

- Subtotal available for a deposit ($) at Year 1.

Refer to Figure 8: affordable Housing Model (AHM) - Table 4

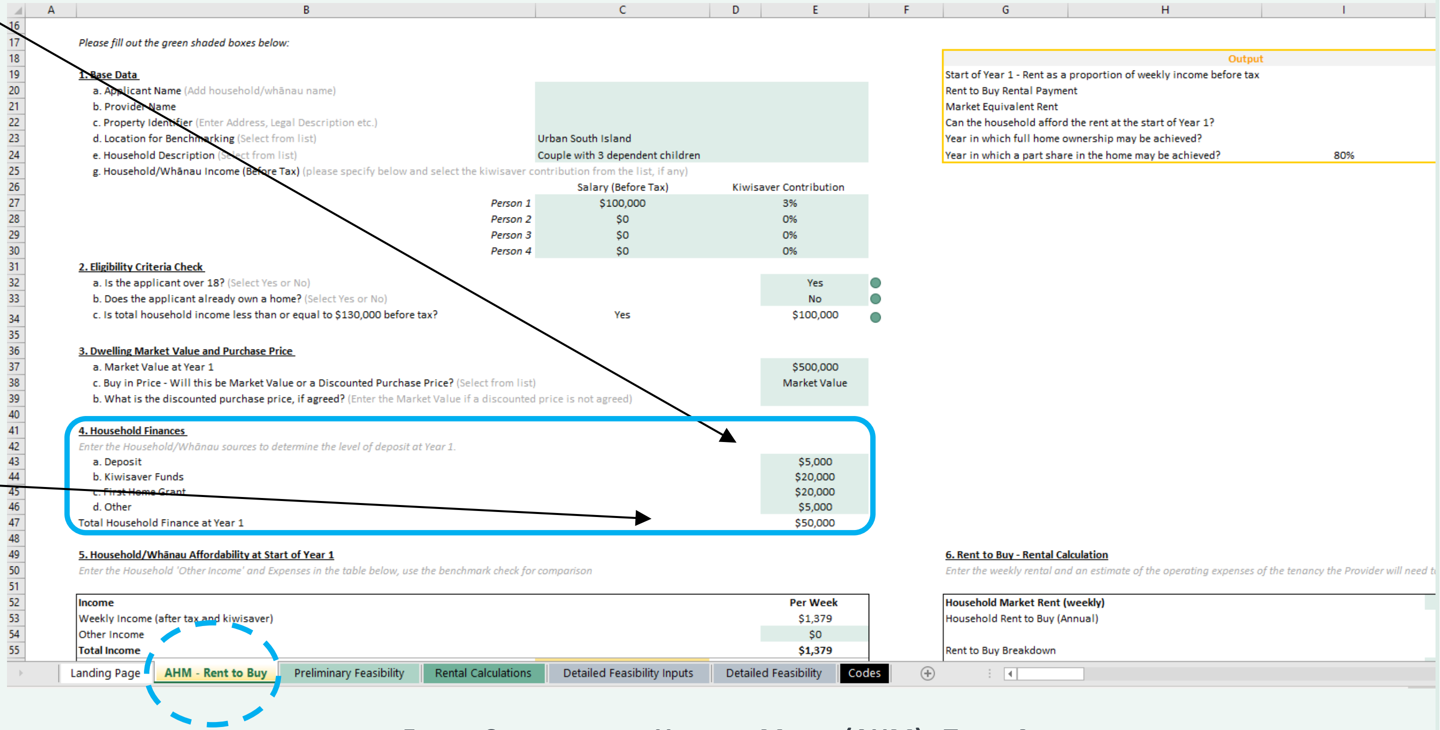


FIGURE 8: AFFORDABLE HOUSING MODEL (AHM) - TABLE 4

Table 5. Household/Whānau Affordability at Start of Year 1

Inputs and assumptions:

a. Enter Other income (net of tax and Kiwisaver) ($).

b. Enter household/whānau expenses, excluding Rent, Mortgage, Rates, insurance and property maintenance.

c. Weekly income is calculated from Table 2 net of tax and Kiwisaver.

d. Household/whānau benchmark (Table 1 – Base Data).

Results and outputs:

- Total Income per week ($).
- Compare Household expenses versus benchmark.
- Total Household Expenses ($).
- Surplus per week ($).
- Potential household/ whānau Savings (p.a.).

Refer to Figure 9: Affordable Housing Model (AHM) - Table 5

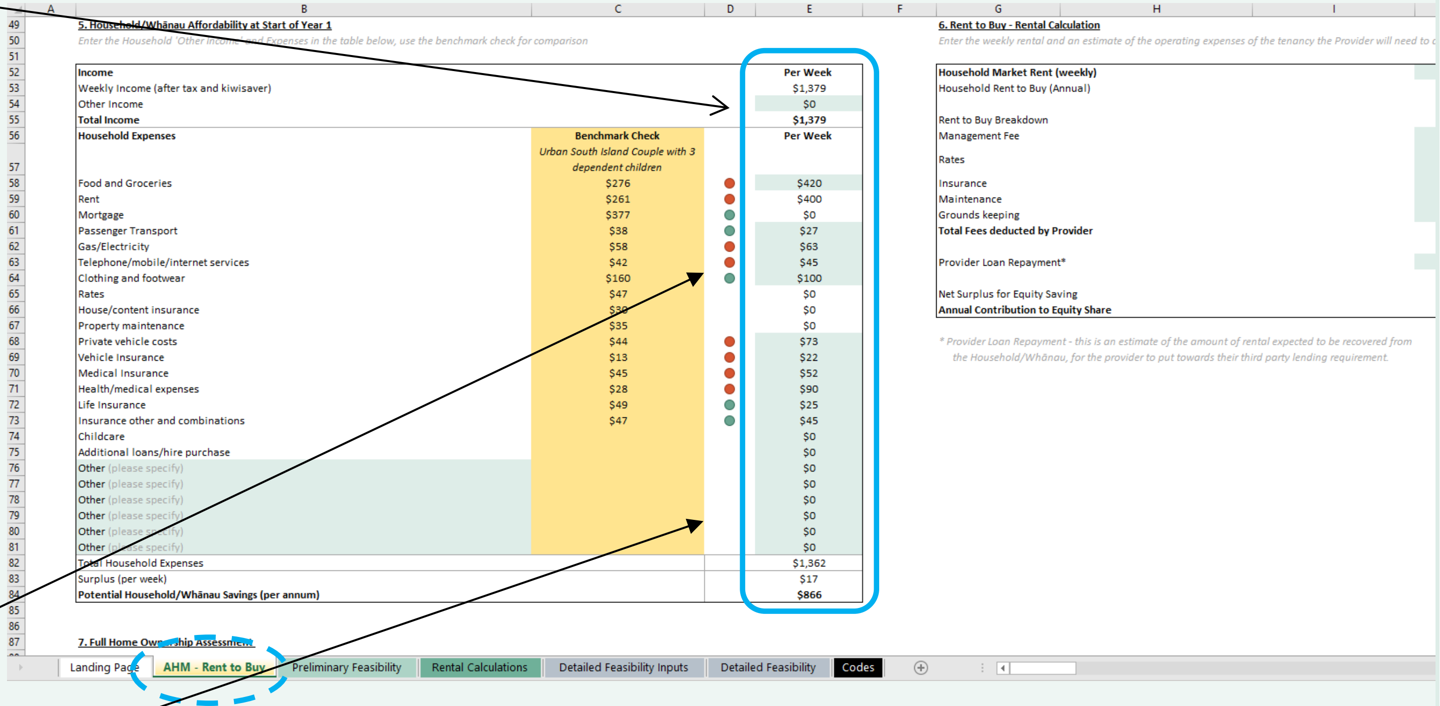


FIGURE 9: AFFORDABLE HOUSING MODEL (AHM) - TABLE 5

Table 6. Rent to Buy – Rental Calculation

Inputs and assumptions:

a. Enter household/whānau Market Rent per week ($).

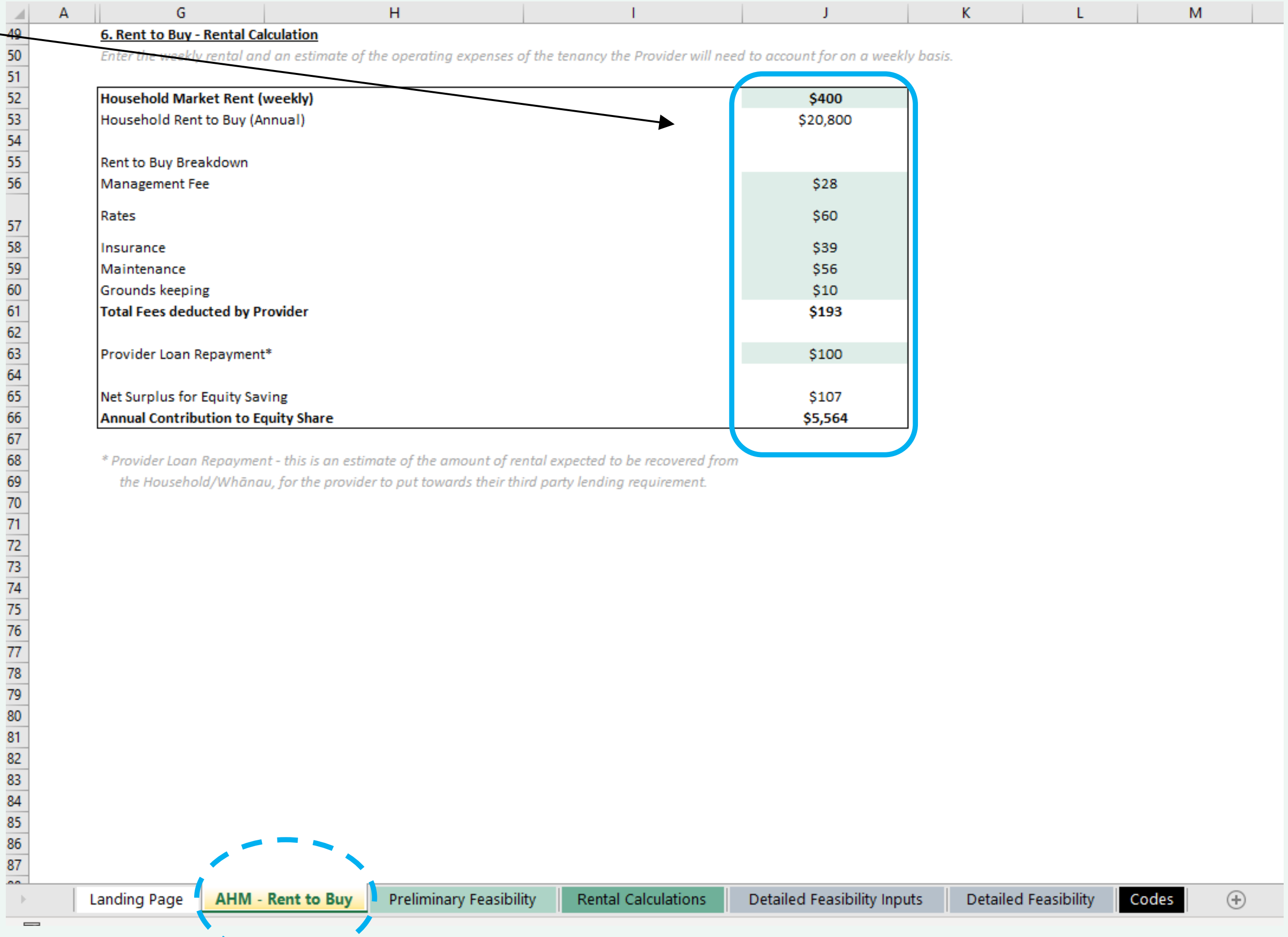
b. Enter Rent to Buy Management Fee, Rates, Insurance, Maintenance and Grounds keeping ($).

c. Enter Provider Loan Repayment ($). This can be estimated using the 'Rental Calculations' Tab, as well as calculating the Lending Required using the Preliminary Feasibility Model.

Results and outputs:

- Household/whānau Rent to Buy per annum.
- Net savings per week ($).
- Contribution to Equity Share per annum.
- Informs Table 7 below.

Refer to Figure 10: Affordable Housing Model (AHM) - Table 6



6. Rent to Buy - Rental Calculation

Enter the weekly rental and an estimate of the operating expenses of the tenancy the Provider will need to account for on a weekly basis.

Household Market Rent (weekly)	**$400**
Household Rent to Buy (Annual)	$20,800
Rent to Buy Breakdown	
Management Fee	$28
Rates	$60
Insurance	$39
Maintenance	$56
Grounds keeping	$10
Total Fees deducted by Provider	**$193**
Provider Loan Repayment*	$100
Net Surplus for Equity Saving	$107
Annual Contribution to Equity Share	**$5,564**

** Provider Loan Repayment - this is an estimate of the amount of rental expected to be recovered from the Household/Whānau, for the provider to put towards their third party lending requirement.*

FIGURE 10: AFFORDABLE HOUSING MODEL (AHM) - TABLE 6

Table 7. Full Home Ownership Assessment

Purpose: To demonstrate whether the household/whānau will be able to afford to buy the property outright and therefore achieve full home ownership within 15 years.

Inputs and assumptions:

a. Enter House Price Inflation (%) escalate the Estimated Purchase Price of the home.

b. Enter Provider and household/whānau capital gain shares (%).

c. Enter CPI Inflation (%) to escalate savings, household income and rates and insurance.

d. Enter Interest Rate (%) and Loan Term (Years).

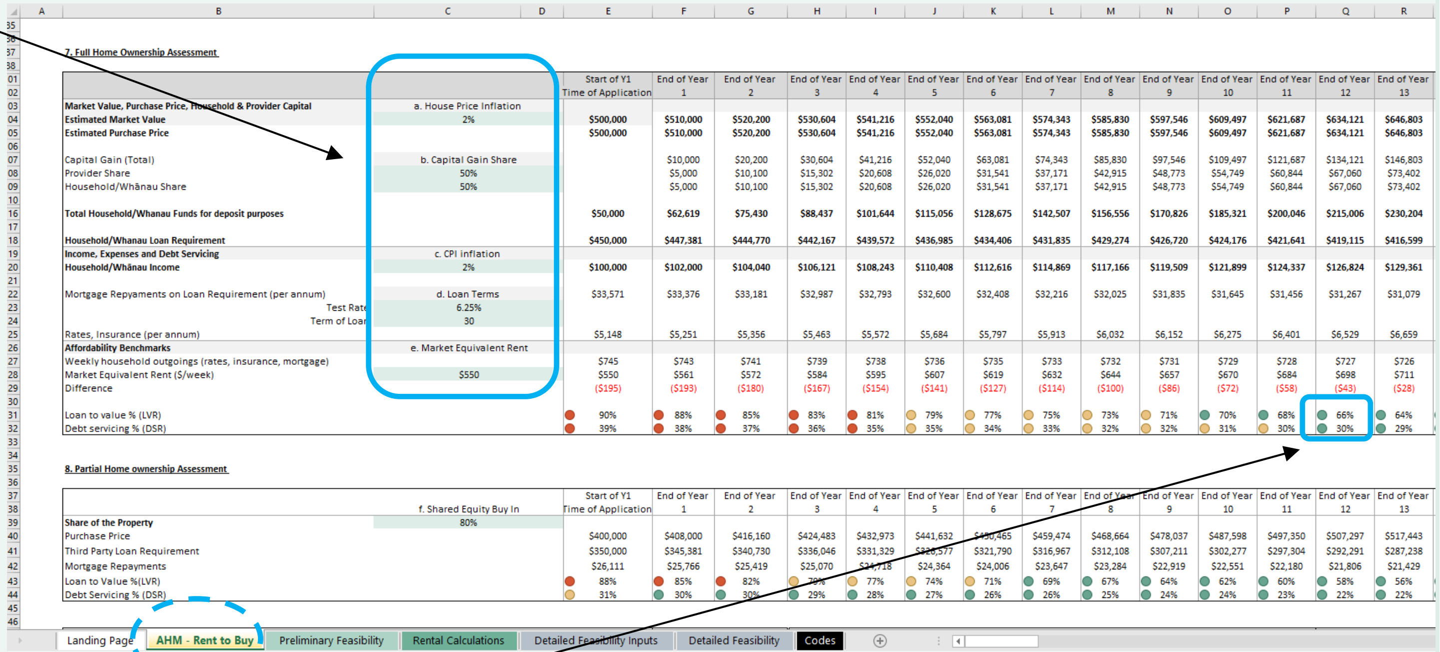
e. Enter the Market Equivalent Rent for the location of the proposed housing, refer to link Market rent » Tenancy Services.

f. Links to Table 3 – 6.

Results and outputs:

- LVR % (less than 70%) and DSR % (less than 30%).
- Year in which full home ownership may be achieved. In this example 100% purchase from year 10-12.

Refer to Figure 11: Affordable Housing Model (AHM) - Table 7



7. Full Home Ownership Assessment

		Start of Y1 Time of Application	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7	End of Year 8	End of Year 9	End of Year 10	End of Year 11	End of Year 12	End of Year 13
Market Value, Purchase Price, Household & Provider Capital	a. House Price Inflation														
Estimated Market Value	2%	$500,000	$510,000	$520,200	$530,604	$541,216	$552,040	$563,081	$574,343	$585,830	$597,546	$609,497	$621,687	$634,121	$646,803
Estimated Purchase Price		$500,000	$510,000	$520,200	$530,604	$541,216	$552,040	$563,081	$574,343	$585,830	$597,546	$609,497	$621,687	$634,121	$646,803
Capital Gain (Total)	b. Capital Gain Share		$10,000	$20,200	$30,604	$41,216	$52,040	$63,081	$74,343	$85,830	$97,546	$109,497	$121,687	$134,121	$146,803
Provider Share	50%		$5,000	$10,100	$15,302	$20,608	$26,020	$31,541	$37,171	$42,915	$48,773	$54,749	$60,844	$67,060	$73,402
Household/Whānau Share	50%		$5,000	$10,100	$15,302	$20,608	$26,020	$31,541	$37,171	$42,915	$48,773	$54,749	$60,844	$67,060	$73,402
Total Household/Whanau Funds for deposit purposes		$50,000	$62,619	$75,430	$88,437	$101,644	$115,056	$128,675	$142,507	$156,556	$170,826	$185,321	$200,046	$215,006	$230,204
Household/Whanau Loan Requirement		$450,000	$447,381	$444,770	$442,167	$439,572	$436,985	$434,406	$431,835	$429,274	$426,720	$424,176	$421,641	$419,115	$416,599
Income, Expenses and Debt Servicing	c. CPI inflation														
Household/Whānau Income	2%	$100,000	$102,000	$104,040	$106,121	$108,243	$110,408	$112,616	$114,869	$117,166	$119,509	$121,899	$124,337	$126,824	$129,361
Mortgage Repyaments on Loan Requirement (per annum)	d. Loan Terms	$33,571	$33,376	$33,181	$32,987	$32,793	$32,600	$32,408	$32,216	$32,025	$31,835	$31,645	$31,456	$31,267	$31,079
Test Rate	6.25%														
Term of Loan	30														
Rates, Insurance (per annum)		$5,148	$5,251	$5,356	$5,463	$5,572	$5,684	$5,797	$5,913	$6,032	$6,152	$6,275	$6,401	$6,529	$6,659
Affordability Benchmarks	e. Market Equivalent Rent														
Weekly household outgoings (rates, insurance, mortgage)		$745	$743	$741	$739	$738	$736	$735	$733	$732	$731	$729	$728	$727	$726
Market Equivalent Rent ($/week)	$550	$550	$561	$572	$584	$595	$607	$619	$632	$644	$657	$670	$684	$698	$711
Difference		($195)	($193)	($180)	($167)	($154)	($141)	($127)	($114)	($100)	($86)	($72)	($58)	($43)	($28)
Loan to value % (LVR)		90%	88%	85%	83%	81%	79%	77%	75%	73%	71%	70%	68%	66%	64%
Debt servicing % (DSR)		39%	38%	37%	36%	35%	35%	34%	33%	32%	32%	31%	30%	30%	29%

8. Partial Home ownership Assessment

	f. Shared Equity Buy In	Start of Y1 Time of Application	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7	End of Year 8	End of Year 9	End of Year 10	End of Year 11	End of Year 12	End of Year 13
Share of the Property	80%														
Purchase Price		$400,000	$408,000	$416,160	$424,483	$432,973	$441,632	$450,465	$459,474	$468,664	$478,037	$487,598	$497,350	$507,297	$517,443
Third Party Loan Requirement		$350,000	$345,381	$340,730	$336,046	$331,329	$326,577	$321,790	$316,967	$312,108	$307,211	$302,277	$297,304	$292,291	$287,238
Mortgage Repayments		$26,111	$25,766	$25,419	$25,070	$24,718	$24,364	$24,006	$23,647	$23,284	$22,919	$22,551	$22,180	$21,806	$21,429
Loan to Value %(LVR)		88%	85%	82%	79%	77%	74%	71%	69%	67%	64%	62%	60%	58%	56%
Debt Servicing % (DSR)		31%	30%	30%	29%	28%	27%	26%	26%	25%	24%	24%	23%	22%	22%

FIGURE 11: AFFORDABLE HOUSING MODEL (AHM) - TABLE 7

Table 8. Partial Home Ownership Assessment

Purpose: To demonstrate when the household/whānau will be able to afford to buy a specific share in the property therefore entering into a 'Shared Equity' arrangement. We note that if this circumstance is being considered, the 'Shared Equity Model' should be used to demonstrate that the household can afford full home ownership with 15 years.

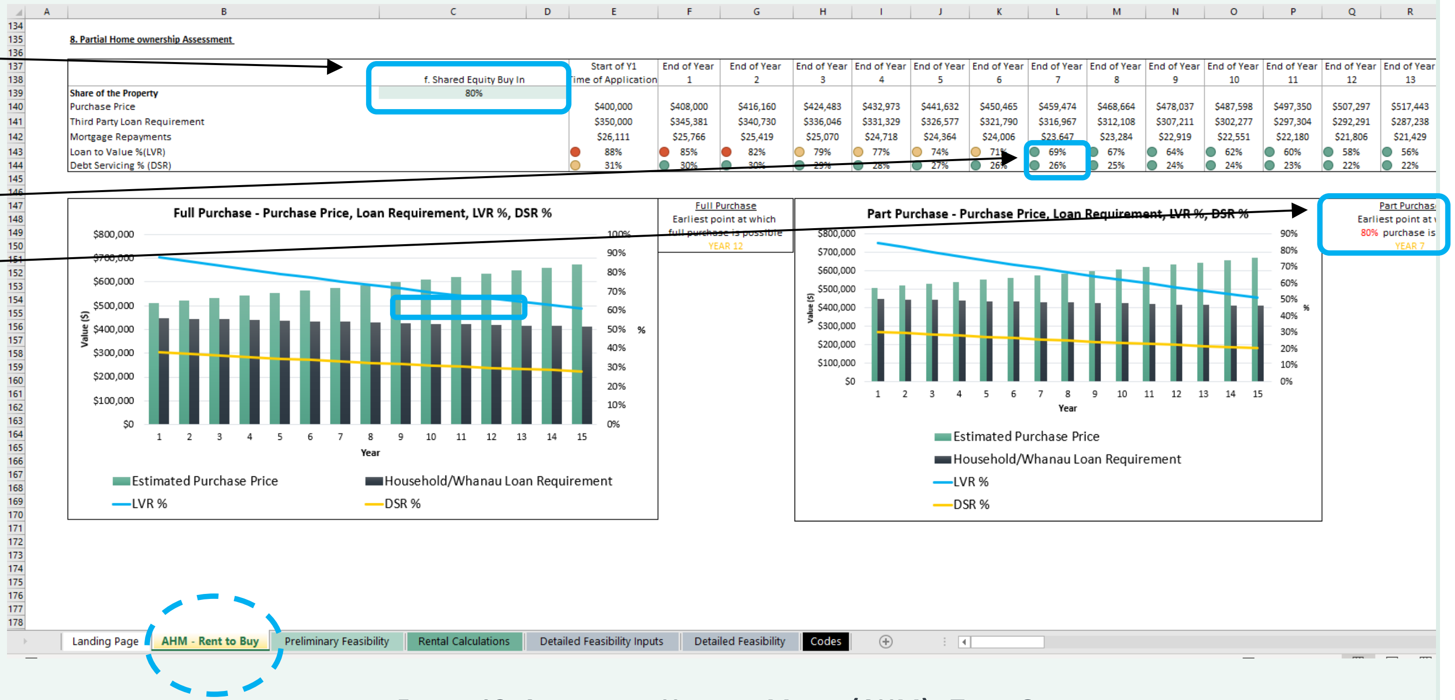
Inputs and assumptions:

a. Enter the partial purchase share as a % of the total property purchase price.

Results and outputs:

- LVR % (less than 70%) and DSR % (less than 30%).
- Calculates the year in which a partial purchase may be achieved by using LVR <70% and DSR <30%. In this example based upon a households/whānau 80% buy in of the property, the earliest point of 80% purchase is year 7.

Refer to Figure 12: Affordable Housing Model (AHM) - Table 8



	f. Shared Equity Buy In	Start of Y1 Time of Application	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7	End of Year 8	End of Year 9	End of Year 10	End of Year 11	End of Year 12	End of Year 13
Share of the Property	80%														
Purchase Price		$400,000	$408,000	$416,160	$424,483	$432,973	$441,632	$450,465	$459,474	$468,664	$478,037	$487,598	$497,350	$507,297	$517,443
Third Party Loan Requirement		$350,000	$345,381	$340,730	$336,046	$331,329	$326,577	$321,790	$316,967	$312,108	$307,211	$302,277	$297,304	$292,291	$287,238
Mortgage Repayments		$26,111	$25,766	$25,419	$25,070	$24,718	$24,364	$24,006	$23,647	$23,284	$22,919	$22,551	$22,180	$21,806	$21,429
Loan to Value %(LVR)		88%	85%	82%	79%	77%	74%	71%	69%	67%	64%	62%	60%	58%	56%
Debt Servicing % (DSR)		31%	30%	30%	29%	28%	27%	26%	26%	25%	24%	24%	23%	22%	22%

FIGURE 12: AFFORDABLE HOUSING MODEL (AHM) - TABLE 8

Tab 2 - Preliminary Feasibility

The purpose of the preliminary feasibility assessment is to:

1. Provide a high-level preliminary feasibility assessment of a provider led development – this is applicable to providers with a site in mind that is already owned, or to be purchased for development, and the provider has an initial idea of how many dwellings to construct and sell.

2. Provide a high-level preliminary feasibility assessment of a developer led development – providers may use this budget to test a developer's costs and sale prices to ensure value for money.

3. Calculate the provider's estimated financial position at completion of the project, under either a provider led, or developer led development.

Key Outputs

The Key Outputs are summarised in the model outlined in orange as follows:

1. The Project/Surplus Deficit at Completion – This is a % and demonstrates the project profit/loss at completion.

2. Estimated Provider Financial Position at Completion including:

   - Provider project surplus/deficit at completion
   - Total estimated market value of dwellings at completion
   - Provider PHO loan at completion
   - Provider lending requirement at completion

Figure 13: Preliminary Feasibility Assessment Outputs

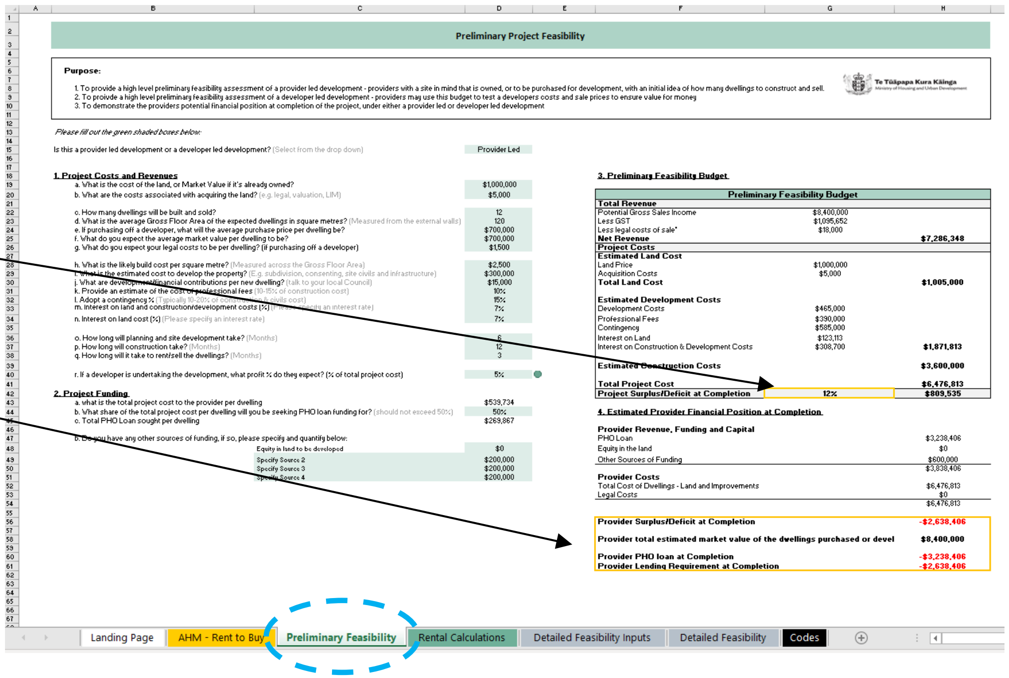


FIGURE 13: PRELIMINARY FEASIBILITY ASSESSMENT OUTPUTS

Type of Development and Table 1. Project Costs and Revenues

Inputs and assumptions:

1. Select whether the development is ‘provider led’ or ‘developer led’ from the drop-down list.

2. Input the project cost and revenue assumptions in the green shaded boxes, these include references ‘a.’ to ‘r.’ as follows:

a. Cost or Market Value of Land.
b. Costs associated with acquiring the land.
c. How many dwellings to be built.
d. Average Gross Floor Area.
e. Expected average purchase price per dwelling (if purchasing off a developer).
f. Expected average market value per dwelling.
g. Legal costs per dwelling (if purchasing off a developer).
h. Build cost.
i. Development costs.
j. Development contributions.
k. Professional Fees.
l. Contingency %.
m. Interest construction and development costs (%)
n. Interest on land cost (%)
o, p, q. Months to project completion
r. Expected profit.

Refer to Figure 14: preliminary Feasibility Assessment - Table 1

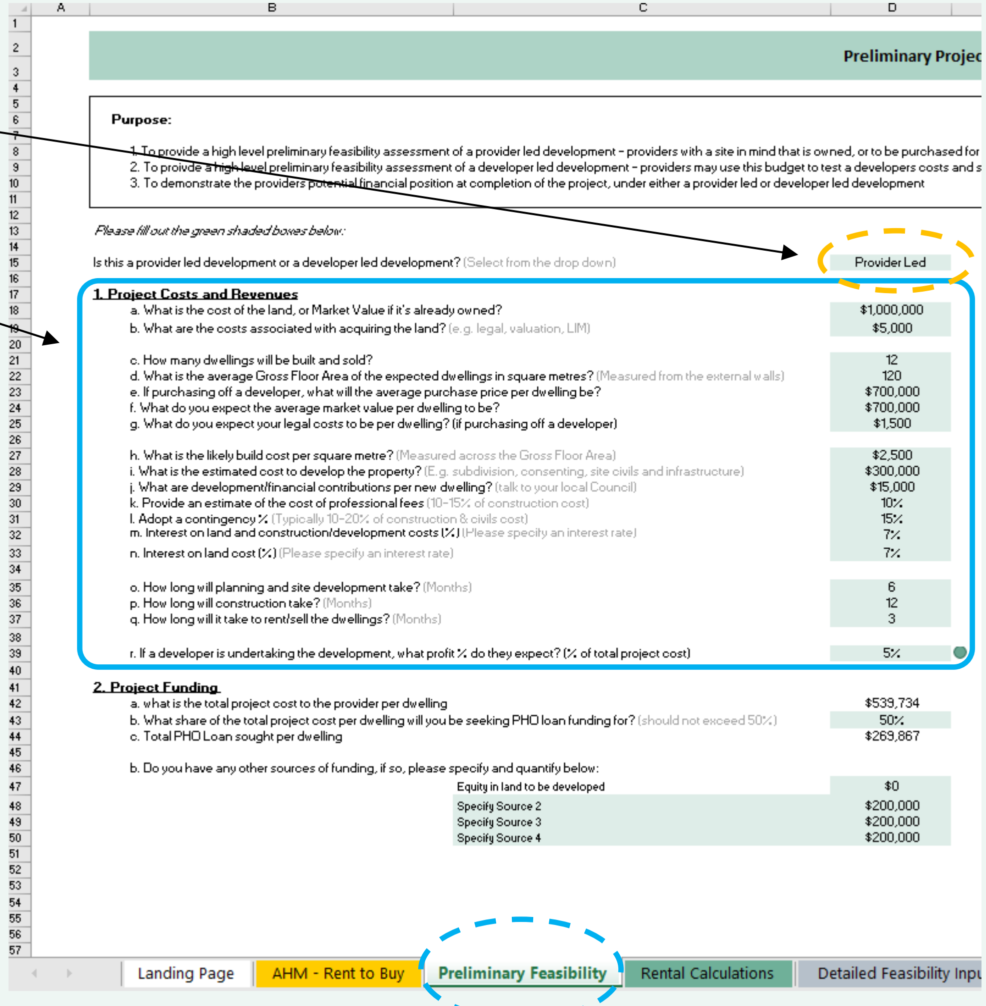


FIGURE 14: PRELIMINARY FEASIBILITY ASSESSMENT - TABLE 1

Table 2. Project Funding

Inputs and assumptions:

a. The model calculates the total project costs to the provider per dwelling, this forms the basis of the PHO loan calculations. Note this is driven off whether the development is 'provider led' or developer led'.

b. Input the share of the total project cost per dwelling that you will be seeking PHO loan funding for – note this should not exceed 50% under the rent to buy approach.

c. The model calculates the total PHO loan sought per dwelling, based on the % specified under b. above.

d. Specify any other sources of funding available including any equity in the land if already owned.

Refer to Figure 15: Preliminary Feasibility Assessment - Table 2

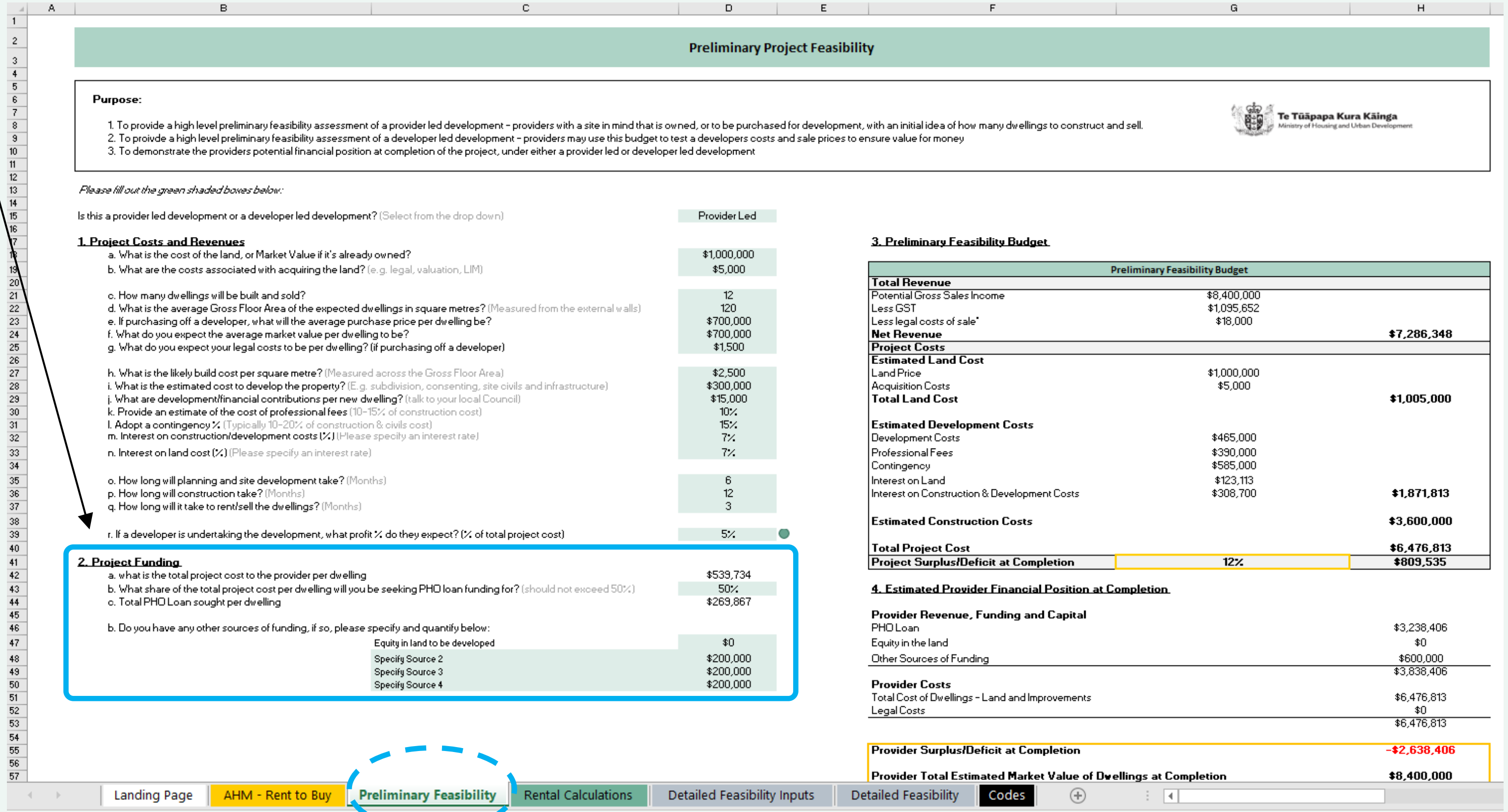


FIGURE 15: PRELIMINARY FEASIBILITY ASSESSMENT - TABLE 2

Table 3. Preliminary Feasibility Budget

Results and outputs

a. The inputs of Table 1 and Table 2, drive the results of the Preliminary Feasibility Budget (Table 3), which totals Project Costs and Project Revenues to arrive at an estimate of Project Profit/Loss for the development itself. This can be used to test the feasibility of both a developer led, or a provider led development. This budget calculates the theoretical feasibility of the development and does not factor in the PHO loan, or any other sources of funding personal to the provider.

b. Under a developer led development, the estimate of project profit % can be used to ensure the provider is getting value for money.

Refer to Figure 16: Preliminary Feasibility Assessment - Table 3

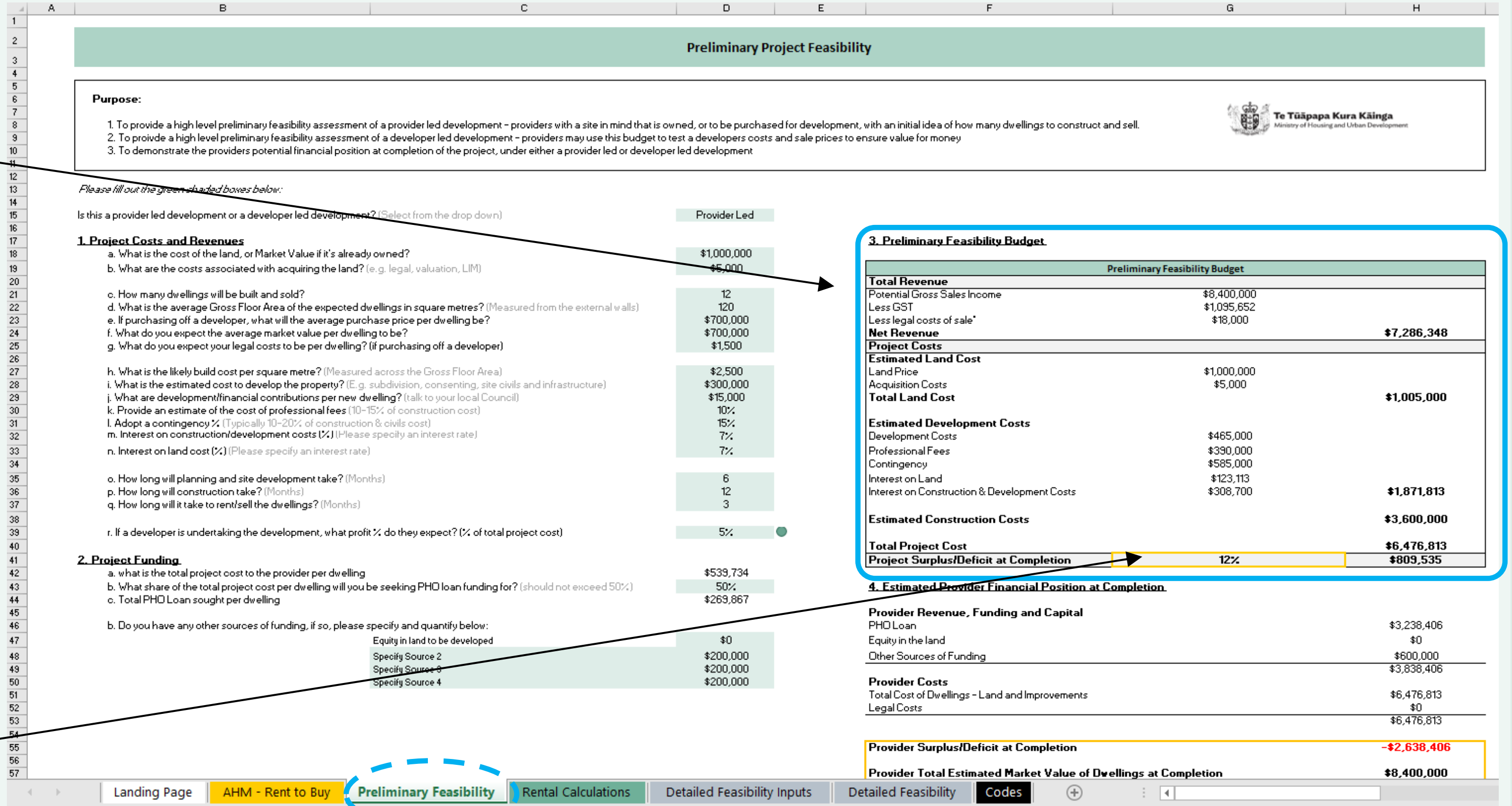


FIGURE 16: PRELIMINARY FEASIBILITY ASSESSMENT - TABLE 3

Table 4. Estimated Provider Financial Position at Completion

Results and outputs

a. **Table 4** summarises the providers estimated financial position by totalling the provider sources of revenue, funding and capital along with the total provider costs associated with the development (under a provider led development) or purchase of the dwellings (under a developer led development).

b. The outputs of Table 4, include the estimated:

- Provider surplus/deficit at completion.
- Total estimated market value of the dwellings at completion (we note this does not consider any potential GST liabilities, if the provider is undertaking the development themselves. We suggest the provider obtains accounting advice in relation to any potential GST liabilities).
- Provider PHO loan at completion.
- Provider lending requirement at completion.

The above outputs are applicable to both a provider led development, or a developer led development.

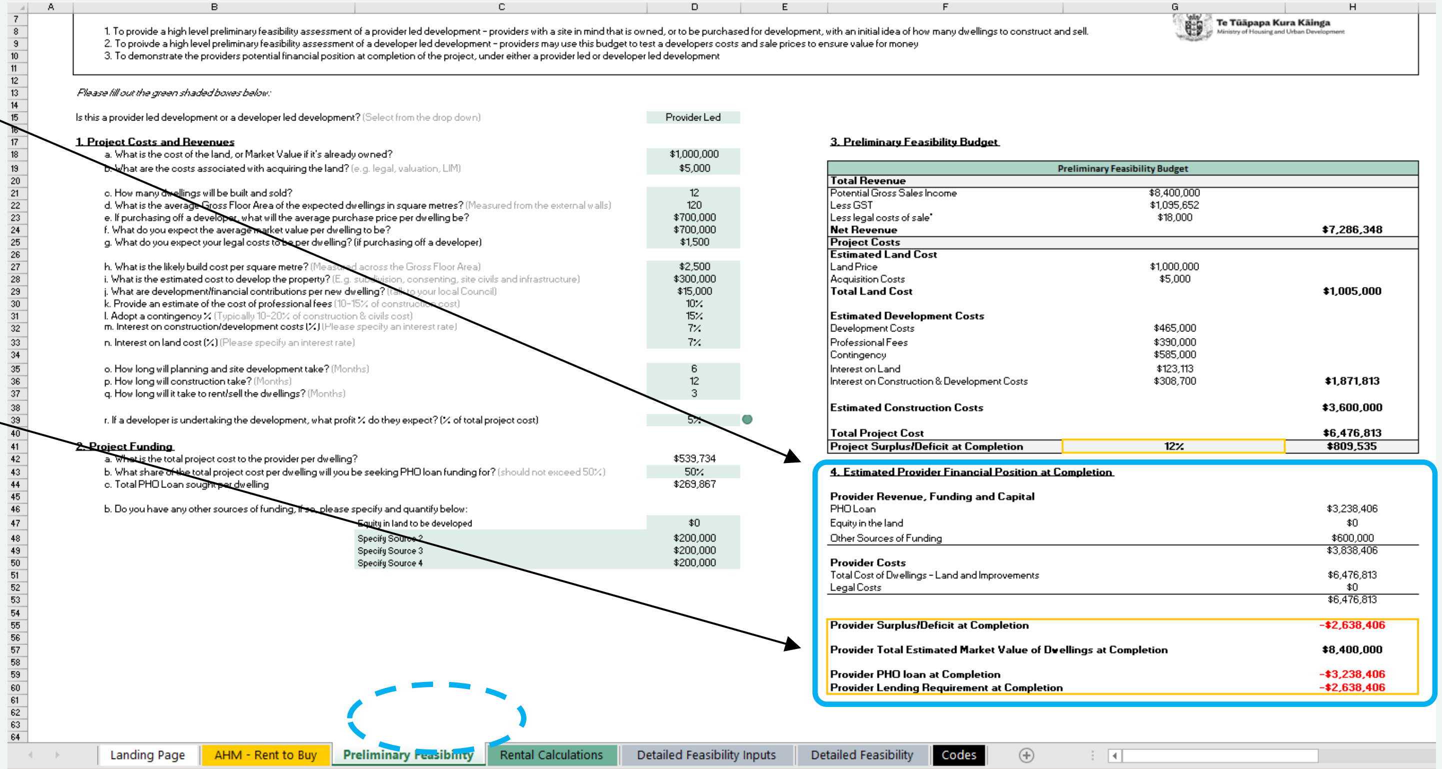


Figure 17: Preliminary Feasibility Assessment - Table 3

Tab 3 - Rental Calculations

The purpose of the Rental Calculations Tab is to provide guidance as to how to calculate an appropriate level of rental to be charged to the household/whānau over the Rent to Buy period. The provider will need to ensure that the rental covers the operating costs, provides cover for the provider lending repayments (if required), and sets aside some of the rental as equity savings on behalf of the household/whānau (if they so choose).

If the rental does not cover the operating expenditure, provider loan repayments (if required) and equity set aside (if chosen), then the provider will need to consider another source of income to cover these expenses.

The weekly rental costs per typology can then be used to inform **Table 6. Rent to Buy – Rental Calculations** as part of the **AHM – Rent to Buy Tab**, refer to Figure 10 above.

Table 1 - Rental per Typology, Table 2 – Costs per Typology per annum

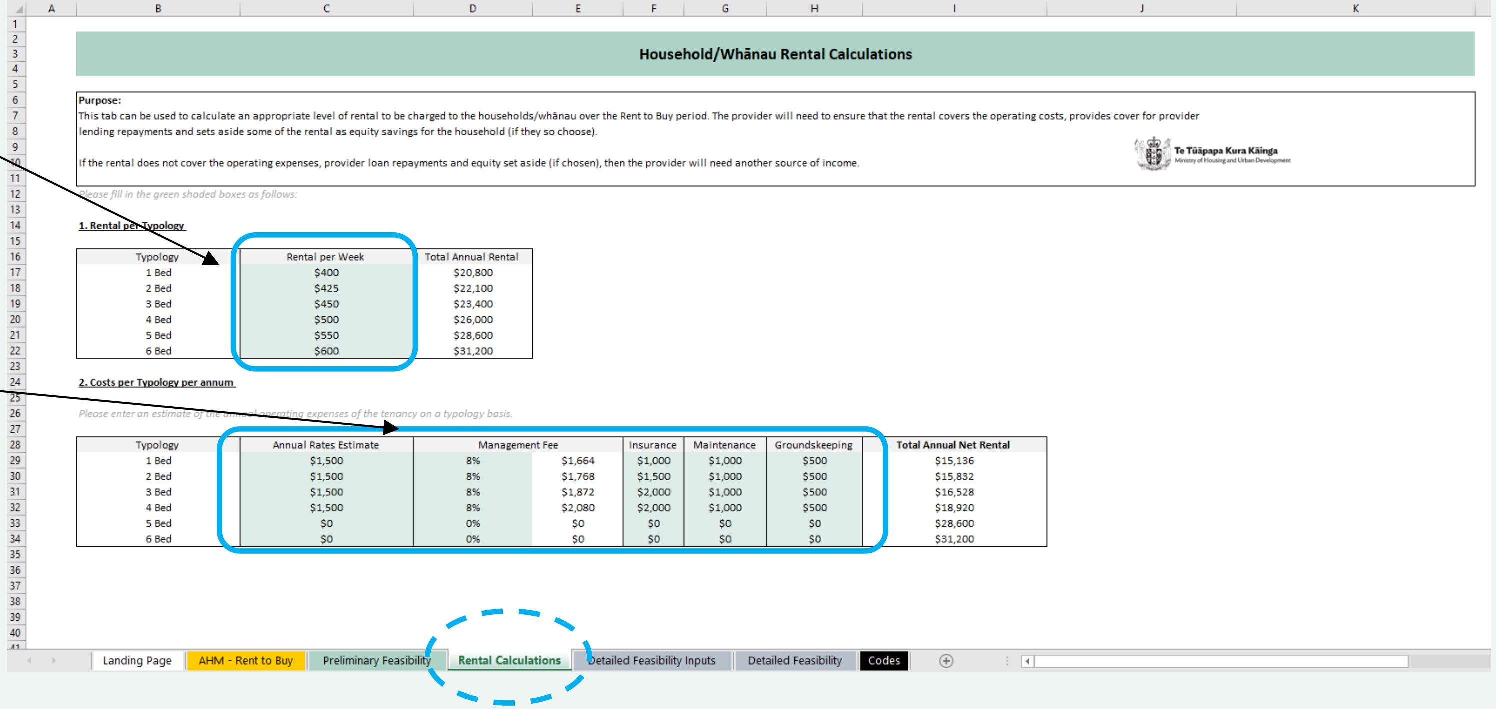
Table 1 Inputs:

a. Enter the approximate Gross Rental per week to be charged to the household/whānau.

Table 2 Inputs:

a. Enter the approximate costs per annum associated with owning and tenanting the dwellings/properties over the Rent to Buy period. This will include an annual estimate of rates, a management fee (if any), insurance, maintenance and grounds keeping per typology.

Refer to Figure 18: Rental Calculations Table 1-2



Household/Whānau Rental Calculations

Purpose:
This tab can be used to calculate an appropriate level of rental to be charged to the households/whānau over the Rent to Buy period. The provider will need to ensure that the rental covers the operating costs, provides cover for provider lending repayments and sets aside some of the rental as equity savings for the household (if they so choose).

If the rental does not cover the operating expenses, provider loan repayments and equity set aside (if chosen), then the provider will need another source of income.

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Please fill in the green shaded boxes as follows:

1. Rental per Typology

Typology	Rental per Week	Total Annual Rental
1 Bed	$400	$20,800
2 Bed	$425	$22,100
3 Bed	$450	$23,400
4 Bed	$500	$26,000
5 Bed	$550	$28,600
6 Bed	$600	$31,200

2. Costs per Typology per annum

Please enter an estimate of the annual operating expenses of the tenancy on a typology basis.

Typology	Annual Rates Estimate	Management Fee		Insurance	Maintenance	Groundskeeping	Total Annual Net Rental
1 Bed	$1,500	8%	$1,664	$1,000	$1,000	$500	$15,136
2 Bed	$1,500	8%	$1,768	$1,500	$1,000	$500	$15,832
3 Bed	$1,500	8%	$1,872	$2,000	$1,000	$500	$16,528
4 Bed	$1,500	8%	$2,080	$2,000	$1,000	$500	$18,920
5 Bed	$0	0%	$0	$0	$0	$0	$28,600
6 Bed	$0	0%	$0	$0	$0	$0	$31,200

FIGURE 18: RENTAL CALCULATIONS TABLE 1-2

Table 3. Provider Lending Calculations

Table 3 Inputs and Assumptions:

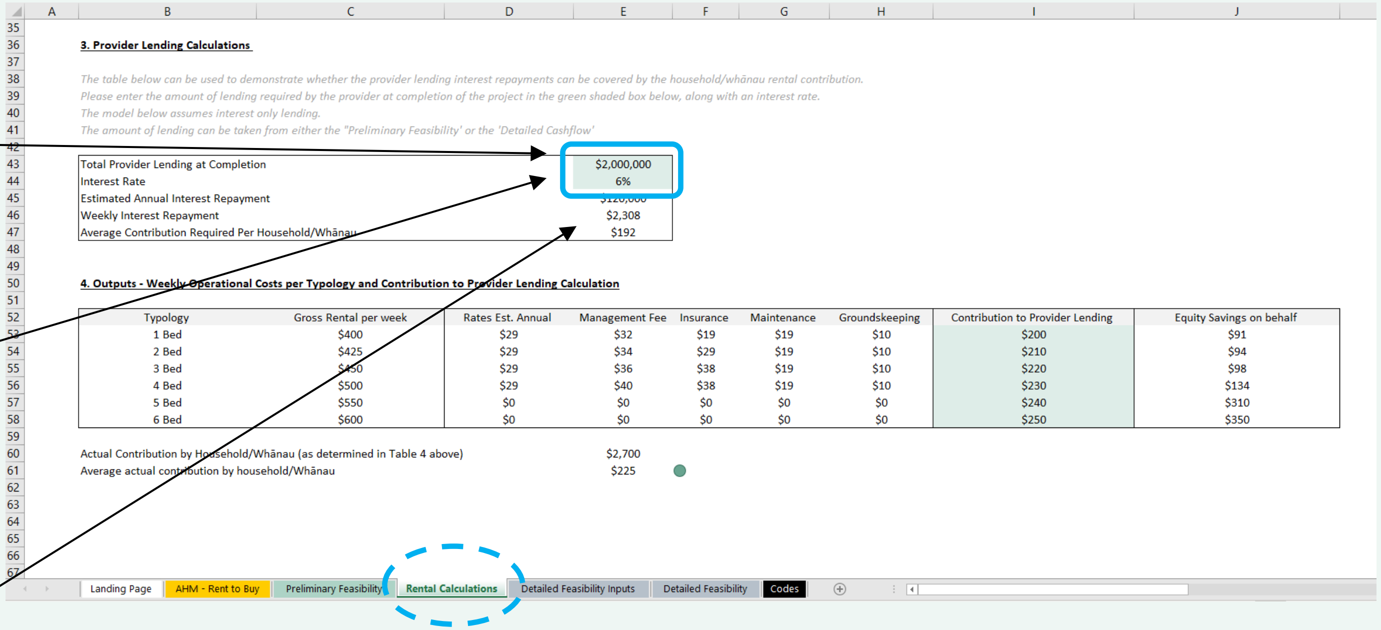
a. Enter an estimate of the third party lending the provider might require. The **Preliminary Feasibility Tab** can be used to estimate the level of third party lending the provider might require at completion of the project. If lending is not required, then enter '0'.

b. Enter an interest rate to determine the level of interest that might be charged on the lending required. The model assumes interest only lending.

Table 3 Outputs:

- Table 3 calculates the total annual interest repayment requirement for the provider on their lending, along with weekly requirement and an average that may be charged per household to cover the providers interest repayments.

Refer to Figure 19: Rental Calculations Table 3



3. Provider Lending Calculations

The table below can be used to demonstrate whether the provider lending interest repayments can be covered by the household/whānau rental contribution.
Please enter the amount of lending required by the provider at completion of the project in the green shaded box below, along with an interest rate.
The model below assumes interest only lending.
The amount of lending can be taken from either the "Preliminary Feasibility' or the 'Detailed Cashflow'

Total Provider Lending at Completion	$2,000,000
Interest Rate	6%
Estimated Annual Interest Repayment	$120,000
Weekly Interest Repayment	$2,308
Average Contribution Required Per Household/Whānau	$192

4. Outputs - Weekly Operational Costs per Typology and Contribution to Provider Lending Calculation

Typology	Gross Rental per week	Rates Est. Annual	Management Fee	Insurance	Maintenance	Groundskeeping	Contribution to Provider Lending	Equity Savings on behalf
1 Bed	$400	$29	$32	$19	$19	$10	$200	$91
2 Bed	$425	$29	$34	$29	$19	$10	$210	$94
3 Bed	$450	$29	$36	$38	$19	$10	$220	$98
4 Bed	$500	$29	$40	$38	$19	$10	$230	$134
5 Bed	$550	$0	$0	$0	$0	$0	$240	$310
6 Bed	$600	$0	$0	$0	$0	$0	$250	$350

Actual Contribution by Household/Whānau (as determined in Table 4 above)	$2,700
Average actual contribution by household/Whānau	$225

FIGURE 19: RENTAL CALCULATIONS TABLE 3

Table 4 – Weekly Rental Breakdown

Table 4 Inputs:

a. Enter the contribution per typology that the provider would expect to cover the annual interest repayment on the providers lending.

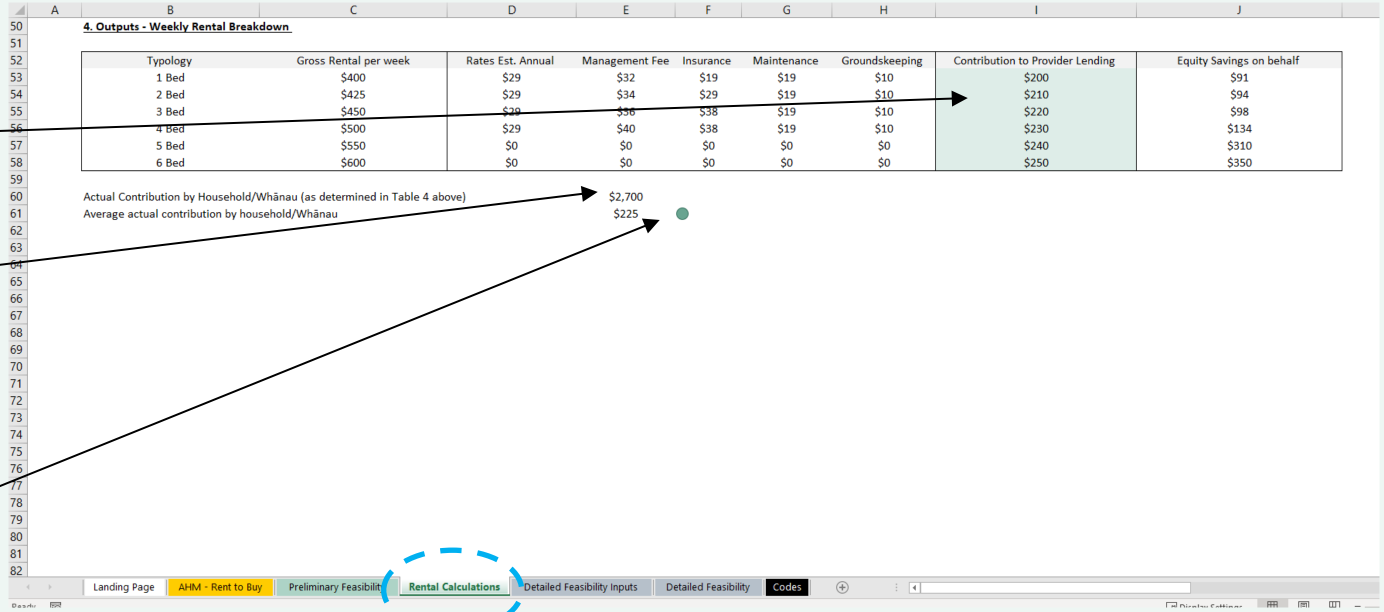
b. The contribution per typology is totalled here and will need to cover the providers total weekly interest repayments unless there is another source of income.

Table 4 Outputs:

- The traffic light indicates whether the contribution covers the requirement, green indicates yes, red indicates no.

- The weekly operational expenses including rates, management fees, insurance, maintenance and groundskeeping, along with contribution to provider lending and the equity savings on behalf per typology, can be used as to complete **Table 6. Rent to Buy – Rental Calculations** as part of the **AHM – Rent to Buy Tab.**

Refer to Figure 20: Rental Calculations - Table 4 Outputs



4. Outputs - Weekly Rental Breakdown

Typology	Gross Rental per week	Rates Est. Annual	Management Fee	Insurance	Maintenance	Groundskeeping	Contribution to Provider Lending	Equity Savings on behalf
1 Bed	$400	$29	$32	$19	$19	$10	$200	$91
2 Bed	$425	$29	$34	$29	$19	$10	$210	$94
3 Bed	$450	$29	$36	$38	$19	$10	$220	$98
4 Bed	$500	$29	$40	$38	$19	$10	$230	$134
5 Bed	$550	$0	$0	$0	$0	$0	$240	$310
6 Bed	$600	$0	$0	$0	$0	$0	$250	$350

Actual Contribution by Household/Whānau (as determined in Table 4 above) $2,700

Average actual contribution by household/Whānau $225

FIGURE 20: RENTAL CALCULATIONS - TABLE 4 OUTPUTS

Detailed Feasibility Model

The Detailed Feasibility Model should only be used if the provider is looking to undertake the development themselves and has completed a significant level of due diligence and planning in relation to their development. The model can be used for developments of up to 20 dwellings or properties, if a provider is looking at a development that exceeds this level, please contact HUD to access an expanded version of the financial model (a further dwellings can easily be added).

The Detailed Feasibility Model assumes a development project timeline that comprises the development period and construction period through to the final sale of the last dwelling (Project timeline).

The Detailed Feasibility Model consists of two tabs which include:

1. Detailed Feasibility Inputs.

2. Detailed Feasibility Model.

Detailed Feasibility Inputs (Tab 4)

The purpose of the Detailed Feasibility Inputs tab is to capture all revenues and costs associated with the project. The Detailed Feasibility Inputs tab links with the Detailed Feasibility Model to provide a cashflow of the inputs over the Project Timeline.

Detailed Feasibility Model (Tab 5)

The purpose of the detailed feasibility model is to capture the proposed development project's revenues, funding and capital; as well as the construction and development costs over the duration of the proposed project and sale period to demonstrate:

1. Are the costs of the development and construction being met by the project's sources funding and capital input?

2. Does the provider require additional third-party lending to meet the months of deficit, and what level of third-party lending might be required, and by when?

Tab 4 – Detailed Feasibility Inputs

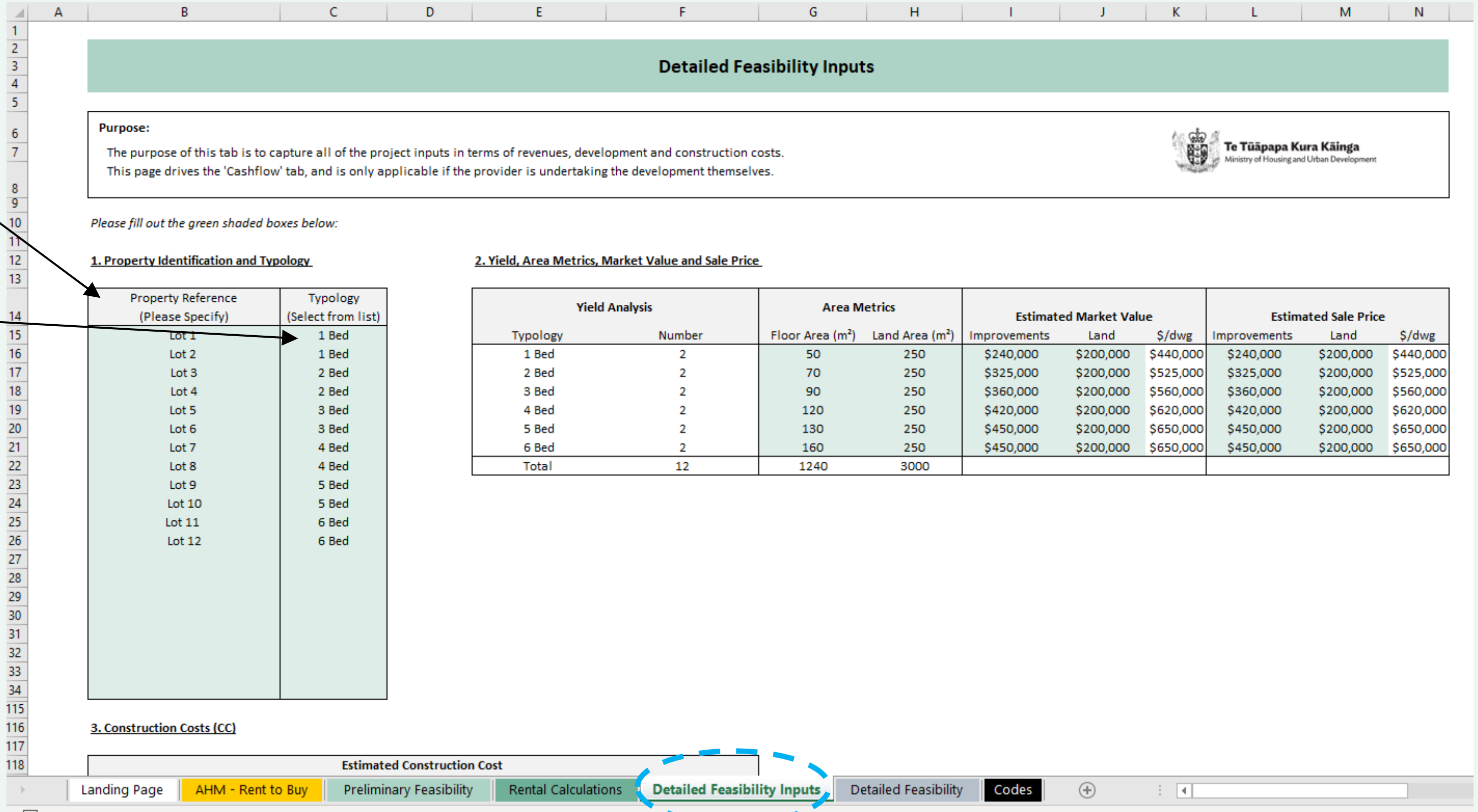
Table 1 – Property Identification and Typology

Table 1 Inputs:

a. Enter a description of the property/dwelling, this may be a legal description, record of title, address etc.

b. Select from the drop down the size of the dwelling in terms of number of bedrooms.

Refer to Figure 21: Detailed Feasibility Inputs - Table 1



Detailed Feasibility Inputs

Purpose:

The purpose of this tab is to capture all of the project inputs in terms of revenues, development and construction costs.
This page drives the 'Cashflow' tab, and is only applicable if the provider is undertaking the development themselves.

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Please fill out the green shaded boxes below:

1. Property Identification and Typology

Property Reference (Please Specify)	Typology (Select from list)
Lot 1	1 Bed
Lot 2	1 Bed
Lot 3	2 Bed
Lot 4	2 Bed
Lot 5	3 Bed
Lot 6	3 Bed
Lot 7	4 Bed
Lot 8	4 Bed
Lot 9	5 Bed
Lot 10	5 Bed
Lot 11	6 Bed
Lot 12	6 Bed

2. Yield, Area Metrics, Market Value and Sale Price

Yield Analysis		Area Metrics		Estimated Market Value			Estimated Sale Price		
Typology	Number	Floor Area (m²)	Land Area (m²)	Improvements	Land	$/dwg	Improvements	Land	$/dwg
1 Bed	2	50	250	$240,000	$200,000	$440,000	$240,000	$200,000	$440,000
2 Bed	2	70	250	$325,000	$200,000	$525,000	$325,000	$200,000	$525,000
3 Bed	2	90	250	$360,000	$200,000	$560,000	$360,000	$200,000	$560,000
4 Bed	2	120	250	$420,000	$200,000	$620,000	$420,000	$200,000	$620,000
5 Bed	2	130	250	$450,000	$200,000	$650,000	$450,000	$200,000	$650,000
6 Bed	2	160	250	$450,000	$200,000	$650,000	$450,000	$200,000	$650,000
Total	12	1240	3000						

3. Construction Costs (CC)

Estimated Construction Cost

Landing Page | AHM - Rent to Buy | Preliminary Feasibility | Rental Calculations | Detailed Feasibility Inputs | Detailed Feasibility | Codes

FIGURE 21: DETAILED FEASIBILITY INPUTS - TABLE 1

Table 2 – Yield and Area Metrics, Market Value and Sale Price

Table 2 Inputs:

a. Enter a description of the property/dwelling for the purposes of identification. This may be a legal description, record of title, address etc.

b. Enter the approximate area of the dwelling in square metres (gross floor area measured from the face of external walls). Enter the land area per dwelling typology (in square metres).

c. Estimate the market value of the property by inputting the value of the improvements and the value of the land per typology.

Refer to Figure 22: Detailed Feasibility Inputs - Table 2

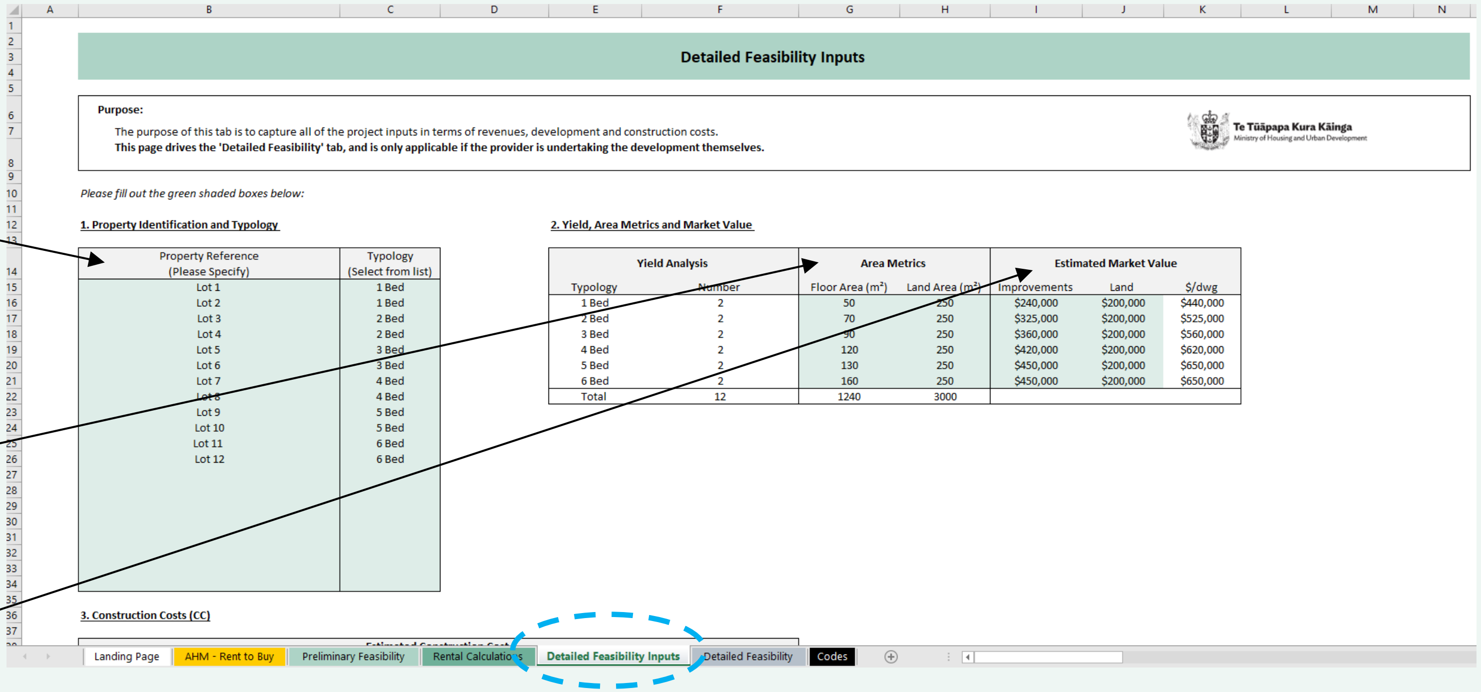


FIGURE 22: DETAILED FEASIBILITY INPUTS - TABLE 2

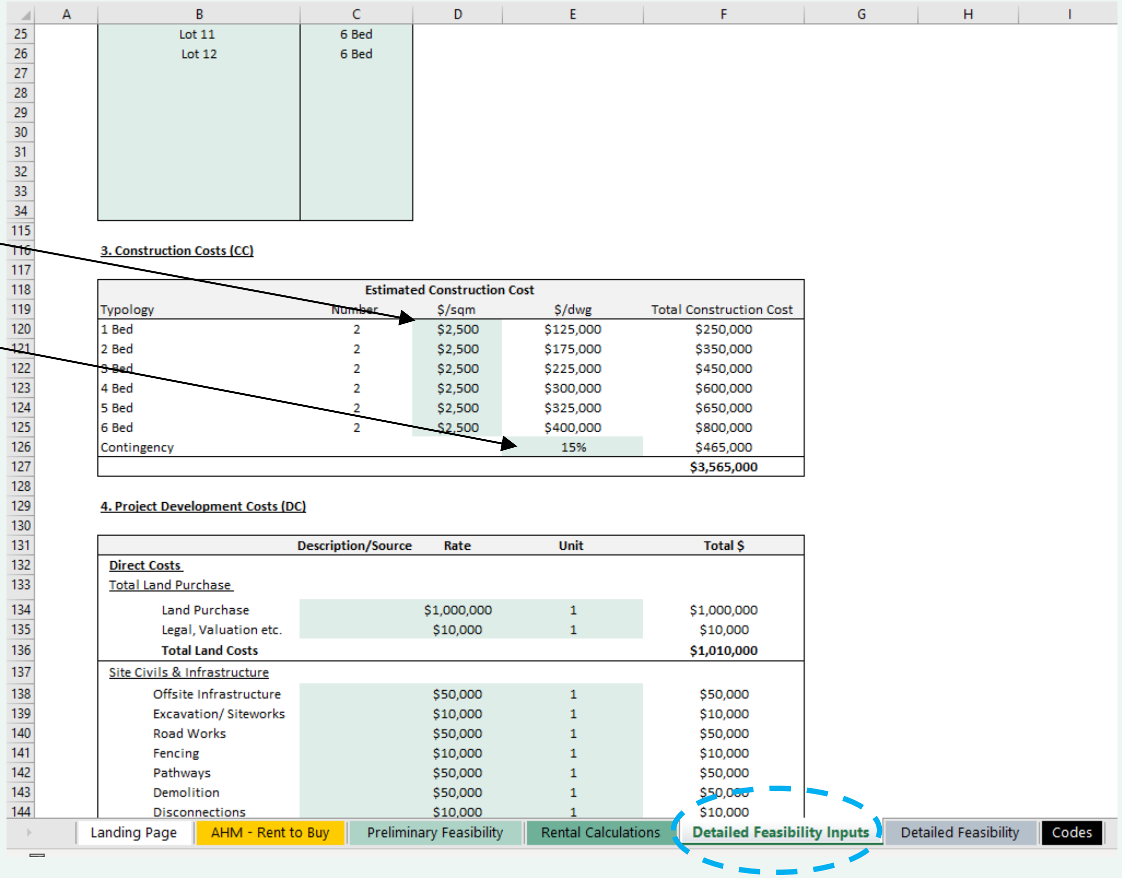
Table 3 – Construction Costs (CC)

Table 3 Inputs:

a. Estimate the construction cost per gross floor area of the dwelling per typology.

b. Adopt a contingency % to account for construction cost escalation risk.

Refer to Figure 23: Detailed Feasibility Inputs - Table 3



Lot 11	6 Bed
Lot 12	6 Bed

3. Construction Costs (CC)

		Estimated Construction Cost		
Typology	Number	$/sqm	$/dwg	Total Construction Cost
1 Bed	2	$2,500	$125,000	$250,000
2 Bed	2	$2,500	$175,000	$350,000
3 Bed	2	$2,500	$225,000	$450,000
4 Bed	2	$2,500	$300,000	$600,000
5 Bed	2	$2,500	$325,000	$650,000
6 Bed	2	$2,500	$400,000	$800,000
Contingency			15%	$465,000
				$3,565,000

4. Project Development Costs (DC)

	Description/Source	Rate	Unit	Total $
Direct Costs				
Total Land Purchase				
Land Purchase		$1,000,000	1	$1,000,000
Legal, Valuation etc.		$10,000	1	$10,000
Total Land Costs				**$1,010,000**
Site Civils & Infrastructure				
Offsite Infrastructure		$50,000	1	$50,000
Excavation/ Siteworks		$10,000	1	$10,000
Road Works		$50,000	1	$50,000
Fencing		$10,000	1	$10,000
Pathways		$50,000	1	$50,000
Demolition		$50,000	1	$50,000
Disconnections		$10,000	1	$10,000

FIGURE 23: DETAILED FEASIBILITY INPUTS - TABLE 3

Table 4 – Project Development Costs (DC)

Please use the description/source to record any quotes or sources of costing information.

Table 4 Inputs:

a. Enter the purchase price of the land (if applicable) and any additional costs associated with the land purchase.

b. Enter any site civil and infrastructure costs.

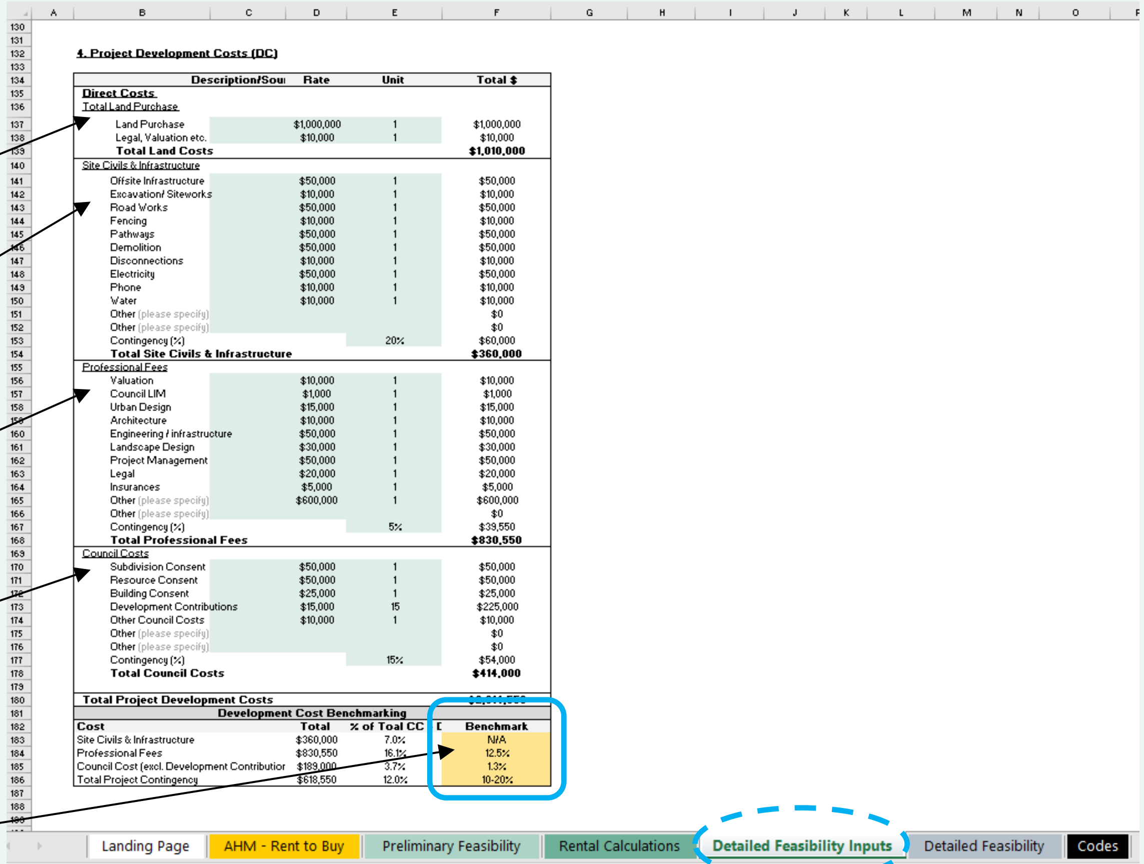
c. Enter any Professional Fees associated with the development.

d. Enter any Council Costs associated with the development.

Outputs

- Use the benchmarks in the orange shaded boxes to compare your costs against industry standards.

Refer to Figure 24: Detailed Feasibility Inputs - Table 4



4. Project Development Costs (DC)

	Description/Sou	Rate	Unit	Total $
Direct Costs				
Total Land Purchase				
Land Purchase		$1,000,000	1	$1,000,000
Legal, Valuation etc.		$10,000	1	$10,000
Total Land Costs				**$1,010,000**
Site Civils & Infrastructure				
Offsite Infrastructure		$50,000	1	$50,000
Excavation/ Siteworks		$10,000	1	$10,000
Road Works		$50,000	1	$50,000
Fencing		$10,000	1	$10,000
Pathways		$50,000	1	$50,000
Demolition		$50,000	1	$50,000
Disconnections		$10,000	1	$10,000
Electricity		$50,000	1	$50,000
Phone		$10,000	1	$10,000
Water		$10,000	1	$10,000
Other (please specify)				$0
Other (please specify)				$0
Contingency (%)			20%	$60,000
Total Site Civils & Infrastructure				**$360,000**
Professional Fees				
Valuation		$10,000	1	$10,000
Council LIM		$1,000	1	$1,000
Urban Design		$15,000	1	$15,000
Architecture		$10,000	1	$10,000
Engineering / infrastructure		$50,000	1	$50,000
Landscape Design		$30,000	1	$30,000
Project Management		$50,000	1	$50,000
Legal		$20,000	1	$20,000
Insurances		$5,000	1	$5,000
Other (please specify)		$600,000	1	$600,000
Other (please specify)				$0
Contingency (%)			5%	$39,550
Total Professional Fees				**$830,550**
Council Costs				
Subdivision Consent		$50,000	1	$50,000
Resource Consent		$50,000	1	$50,000
Building Consent		$25,000	1	$25,000
Development Contributions		$15,000	15	$225,000
Other Council Costs		$10,000	1	$10,000
Other (please specify)				$0
Other (please specify)				$0
Contingency (%)			15%	$54,000
Total Council Costs				**$414,000**
Total Project Development Costs				[illegible]

Development Cost Benchmarking

Cost	Total	% of Toal CC	D	Benchmark
Site Civils & Infrastructure	$360,000	7.0%		N/A
Professional Fees	$830,550	16.1%		12.5%
Council Cost (excl. Development Contributior	$189,000	3.7%		1.3%
Total Project Contingency	$618,550	12.0%		10-20%

Figure 24: Detailed Feasibility Inputs - Table 4

Tab 5 – Detailed Feasibility Model

Key Ouputs

The key outputs of the Detailed Feasibility Model include the following:

- Determining whether the provider might require lending throughout the project (from commencement of development through to final sale of the properties).
- Calculation of the potential maximum lending required throughout the project to cover cashflow deficits and in what month this will occur.
- Calculation of how much third party lending the provider will require at completion of the project.

The graph provides a visual representation of total development costs, PHO loan and funding throughout the project along with an estimate of the project cumulative surplus/deficit over the project timeline.

Refer to Figure 25: Detailed Feasibility Model - Key Outputs

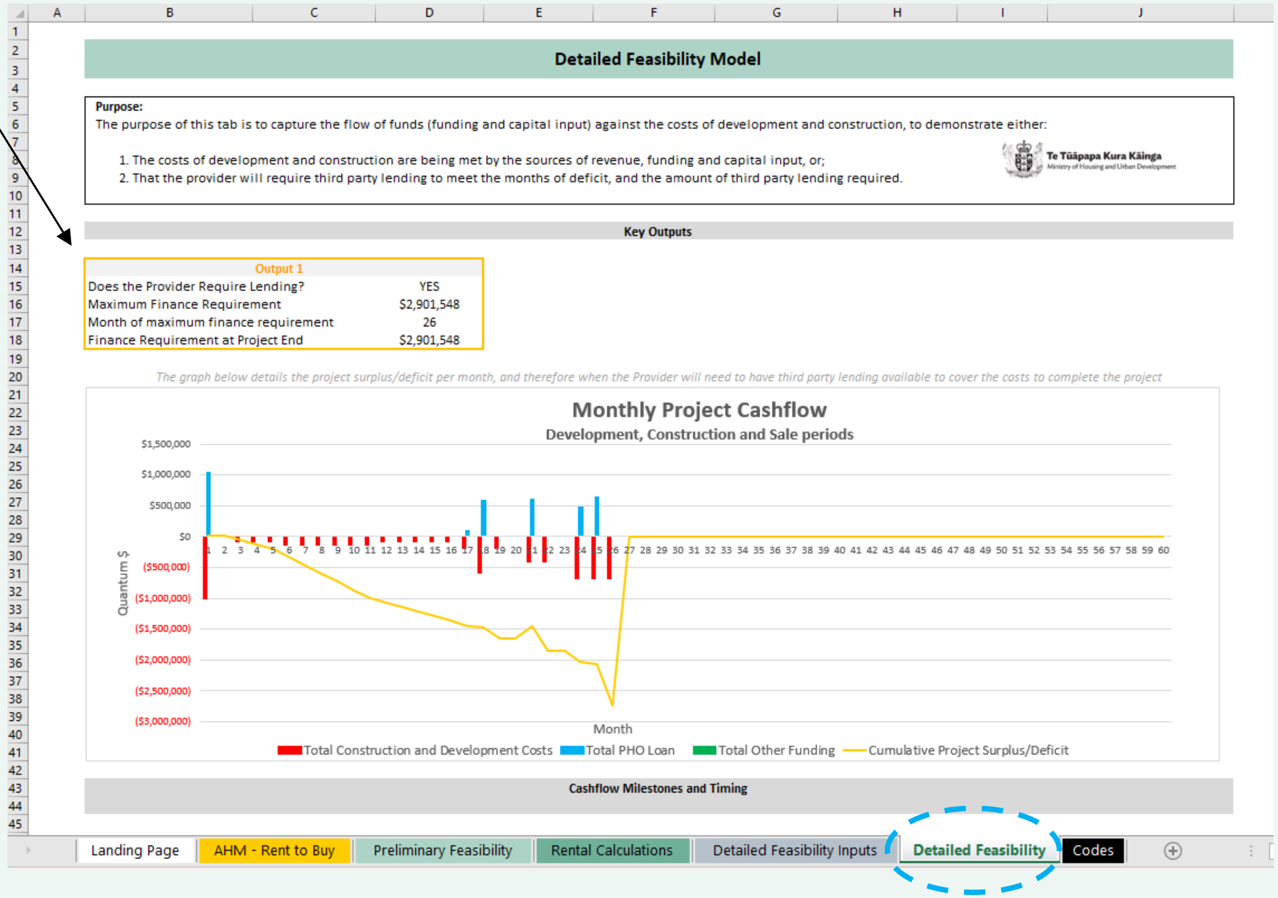


FIGURE 25: DETAILED FEASIBILITY MODEL - KEY OUTPUTS

Cashflow Milestones and Timing

Project Length

a. Enter the estimated project start date and end date (from land purchase/commencement of development through to final sale), this will calculate the number of months required to complete the project.

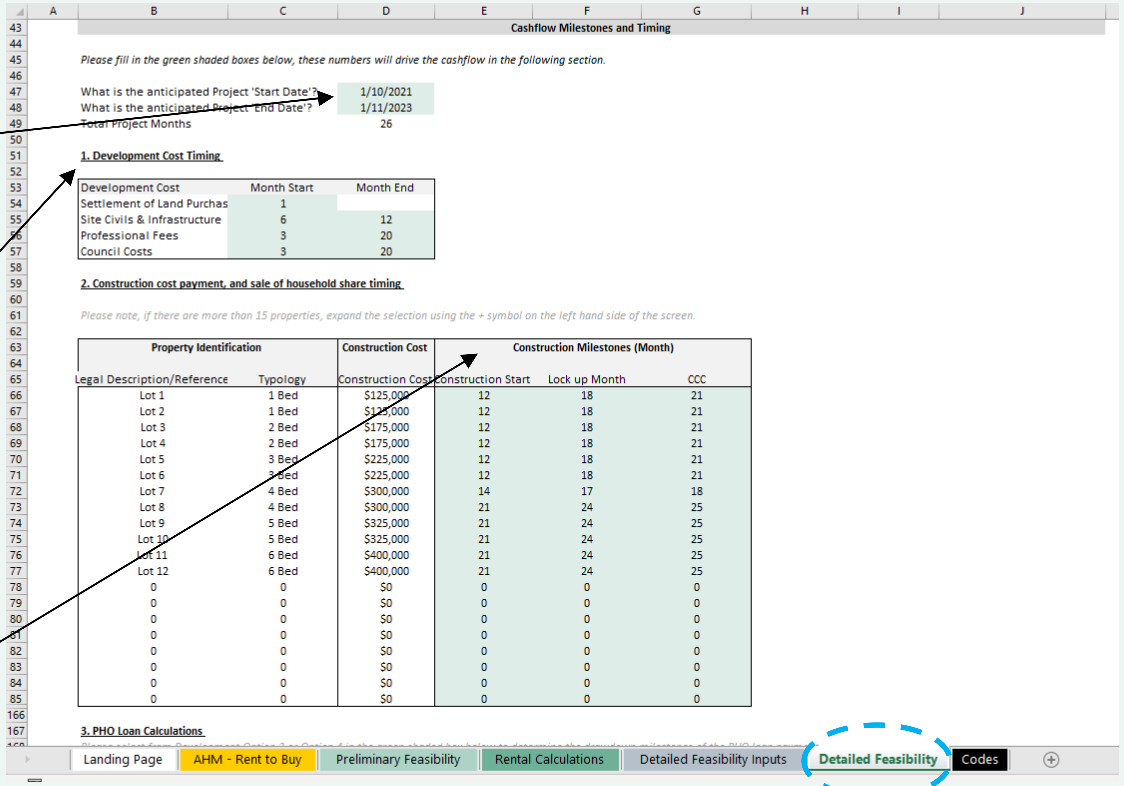
Table 1 Inputs

b. Enter the month start and month end to which the development costs specified in 'Detailed Feasibility Inputs' will be incurred. Note the model assumes that the costs will be evening spread over this period.

Table 2 Inputs

c. Enter the estimated month in which construction will start, lock up will occur and code of compliance (CCC) will be issued per dwelling/property.

Error! Reference source not found.Figure 26: Detailed Feasibility Model - Cashflow Milestones and Timing



Cashflow Milestones and Timing

Please fill in the green shaded boxes below, these numbers will drive the cashflow in the following section.

What is the anticipated Project 'Start Date'?	1/10/2021
What is the anticipated Project 'End Date'?	1/11/2023
Total Project Months	26

1. Development Cost Timing

Development Cost	Month Start	Month End
Settlement of Land Purchas	1	
Site Civils & Infrastructure	6	12
Professional Fees	3	20
Council Costs	3	20

2. Construction cost payment, and sale of household share timing

Please note, if there are more than 15 properties, expand the selection using the + symbol on the left hand side of the screen.

Property Identification		Construction Cost	Construction Milestones (Month)		
Legal Description/Reference	Typology	Construction Cost	Construction Start	Lock up Month	CCC
Lot 1	1 Bed	$125,000	12	18	21
Lot 2	1 Bed	$125,000	12	18	21
Lot 3	2 Bed	$175,000	12	18	21
Lot 4	2 Bed	$175,000	12	18	21
Lot 5	3 Bed	$225,000	12	18	21
Lot 6	3 Bed	$225,000	12	18	21
Lot 7	4 Bed	$300,000	14	17	18
Lot 8	4 Bed	$300,000	21	24	25
Lot 9	5 Bed	$325,000	21	24	25
Lot 10	5 Bed	$325,000	21	24	25
Lot 11	6 Bed	$400,000	21	24	25
Lot 12	6 Bed	$400,000	21	24	25
0	0	$0	0	0	0
0	0	$0	0	0	0
0	0	$0	0	0	0
0	0	$0	0	0	0
0	0	$0	0	0	0
0	0	$0	0	0	0
0	0	$0	0	0	0
0	0	$0	0	0	0

3. PHO Loan Calculations

FIGURE 26: DETAILED FEASIBILITY MODEL - CASHFLOW MILESTONES AND TIMING

Cashflow Milestones and Timing

Table 3 Inputs

a. Specify the share of the project cost per dwelling that will be covered by the PHO loan funding (note this shouldn't exceed 50% under the Rent to Buy PHO fund).

b. Select from the drop down the Development Option associated with your development, this will determine when the PHO funding is drawn down. Please contact the HUD for more information on the development options.

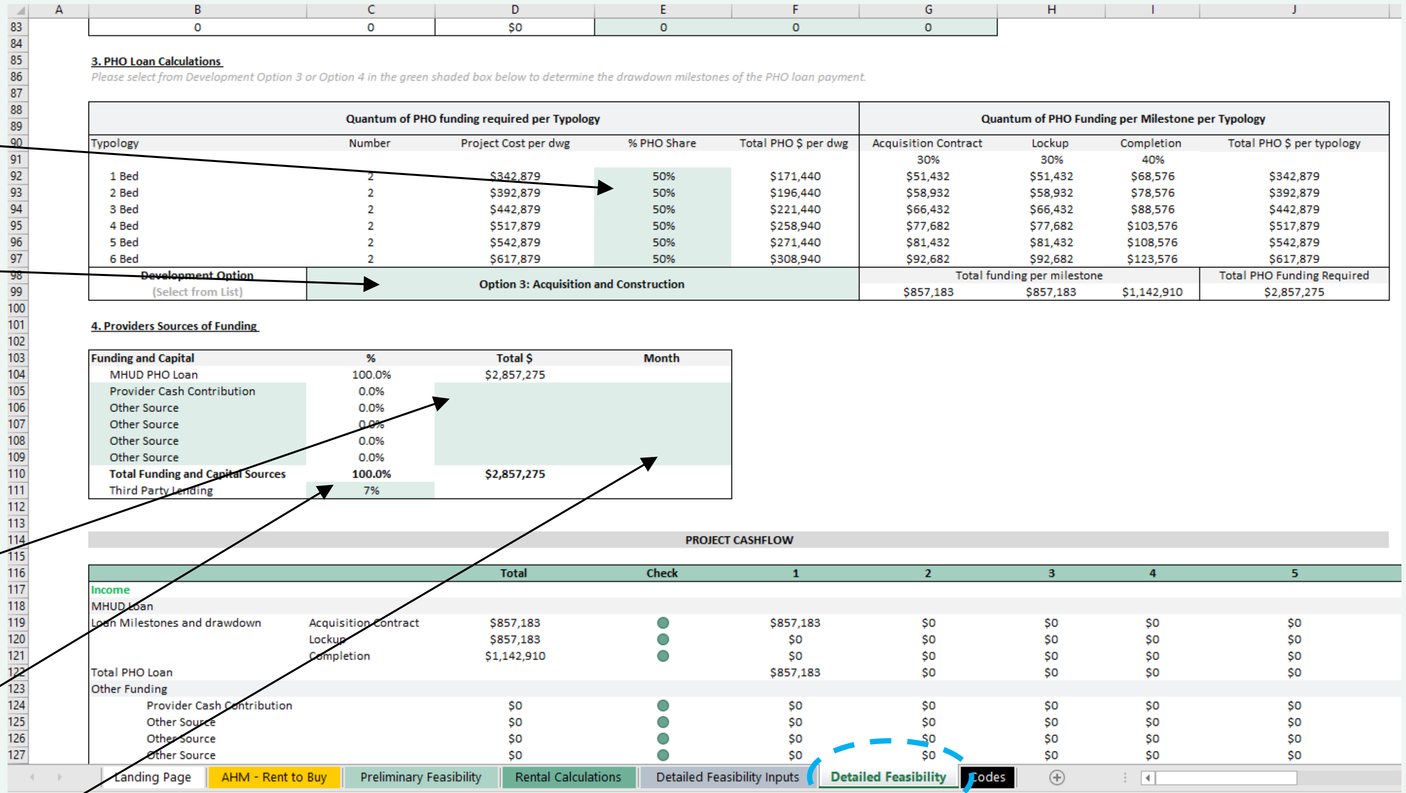
Table 4 Inputs

a. Specify and quantify any additional funding you might receive in addition to the PHO loan, including any cash or equity contributions you will be putting into the project.

b. Enter an interest rate to calculate the interest payable on any provider lending associated with the development.

c. Specify the month in which the additional sources of funding will be available.

Figure 27: Detailed Feasibility Model - Cashflow Milestones and Timing



0	0	$0	0	0	0

3. PHO Loan Calculations

Please select from Development Option 3 or Option 4 in the green shaded box below to determine the drawdown milestones of the PHO loan payment.

Quantum of PHO funding required per Typology					Quantum of PHO Funding per Milestone per Typology			
Typology	Number	Project Cost per dwg	% PHO Share	Total PHO $ per dwg	Acquisition Contract	Lockup	Completion	Total PHO $ per typology
					30%	30%	40%	
1 Bed	2	$342,879	50%	$171,440	$51,432	$51,432	$68,576	$342,879
2 Bed	2	$392,879	50%	$196,440	$58,932	$58,932	$78,576	$392,879
3 Bed	2	$442,879	50%	$221,440	$66,432	$66,432	$88,576	$442,879
4 Bed	2	$517,879	50%	$258,940	$77,682	$77,682	$103,576	$517,879
5 Bed	2	$542,879	50%	$271,440	$81,432	$81,432	$108,576	$542,879
6 Bed	2	$617,879	50%	$308,940	$92,682	$92,682	$123,576	$617,879
Development Option (Select from List)	Option 3: Acquisition and Construction				Total funding per milestone			Total PHO Funding Required
					$857,183	$857,183	$1,142,910	$2,857,275

4. Providers Sources of Funding

Funding and Capital	%	Total $	Month
MHUD PHO Loan	100.0%	$2,857,275	
Provider Cash Contribution	0.0%		
Other Source	0.0%		
Other Source	0.0%		
Other Source	0.0%		
Other Source	0.0%		
Total Funding and Capital Sources	**100.0%**	**$2,857,275**	
Third Party Lending	7%		

PROJECT CASHFLOW

		Total	Check	1	2	3	4	5
Income								
MHUD Loan								
Loan Milestones and drawdown	Acquisition Contract	$857,183		$857,183	$0	$0	$0	$0
	Lockup	$857,183		$0	$0	$0	$0	$0
	Completion	$1,142,910		$0	$0	$0	$0	$0
Total PHO Loan				$857,183	$0	$0	$0	$0
Other Funding								
Provider Cash Contribution		$0		$0	$0	$0	$0	$0
Other Source		$0		$0	$0	$0	$0	$0
Other Source		$0		$0	$0	$0	$0	$0
Other Source		$0		$0	$0	$0	$0	$0

FIGURE 27: DETAILED FEASIBILITY MODEL - CASHFLOW MILESTONES AND TIMING

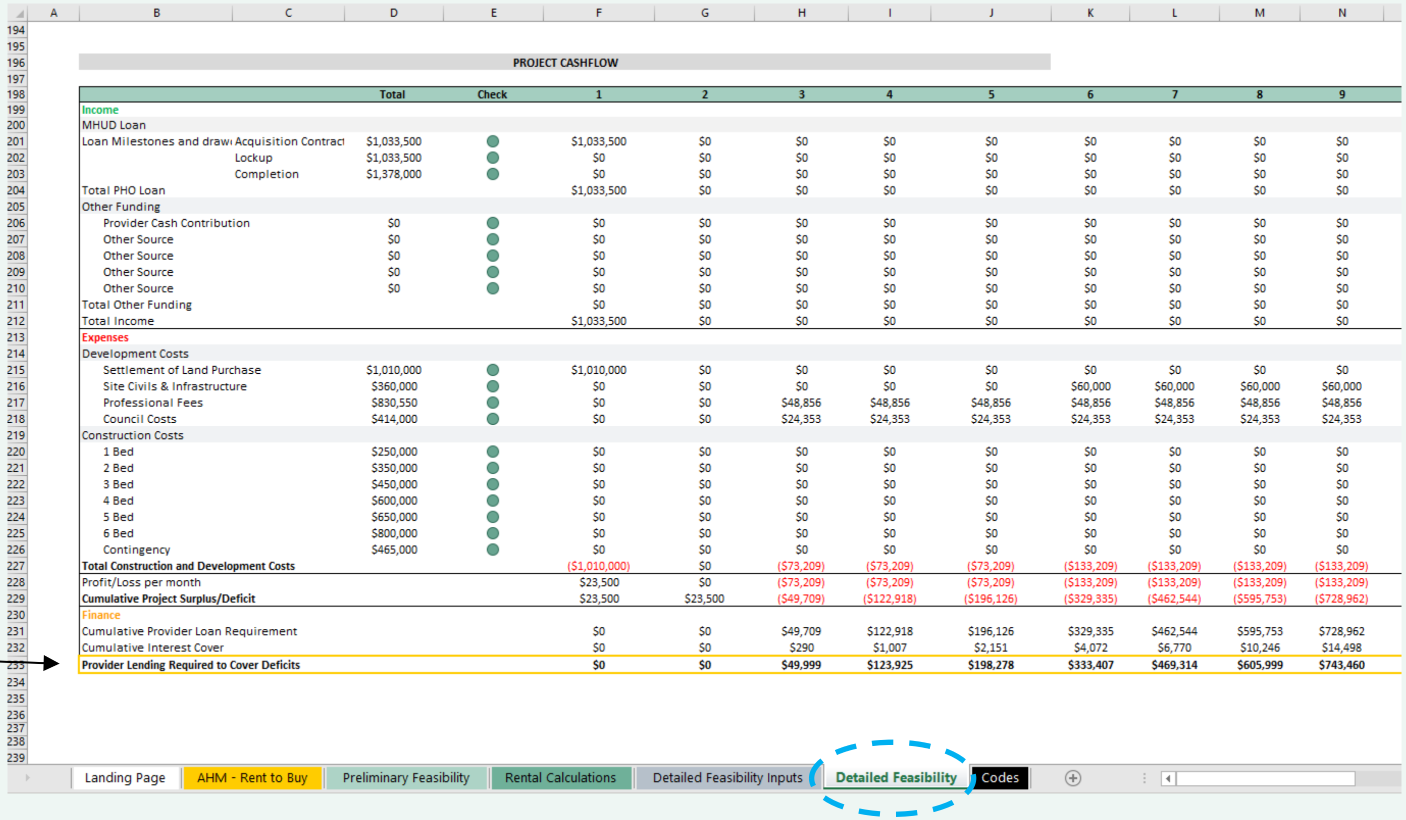
Project Cashflow

The Project Cashflow does not require any inputs. The Project Cashflow compiles the inputs from the 'Detailed Feasibility Inputs Tab' as well as the 'Cashflow Timing and Milestone Inputs' above to provide an estimate of the provider lending required through the length of the project.

The length of the project is driven by the start and end date specified by the provider in the Cashflow Timing and Inputs above.

The outputs of the Project Cashflow are summarised at the top of the 'Detailed Feasibility' Tab. The estimated lending requirement is on an interest only basis and is also summarised in the orange outlined row to the right.

Refer to Figure 28: Detailed Feasibility Model - Project Cashflow



		Total	Check	1	2	3	4	5	6	7	8	9
Income												
MHUD Loan												
Loan Milestones and draw	Acquisition Contract	$1,033,500		$1,033,500	$0	$0	$0	$0	$0	$0	$0	$0
	Lockup	$1,033,500		$0	$0	$0	$0	$0	$0	$0	$0	$0
	Completion	$1,378,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
Total PHO Loan				$1,033,500	$0	$0	$0	$0	$0	$0	$0	$0
Other Funding												
Provider Cash Contribution		$0		$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Source		$0		$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Source		$0		$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Source		$0		$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Source		$0		$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Other Funding				$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Income				$1,033,500	$0	$0	$0	$0	$0	$0	$0	$0
Expenses												
Development Costs												
Settlement of Land Purchase		$1,010,000		$1,010,000	$0	$0	$0	$0	$0	$0	$0	$0
Site Civils & Infrastructure		$360,000		$0	$0	$0	$0	$0	$60,000	$60,000	$60,000	$60,000
Professional Fees		$830,550		$0	$0	$48,856	$48,856	$48,856	$48,856	$48,856	$48,856	$48,856
Council Costs		$414,000		$0	$0	$24,353	$24,353	$24,353	$24,353	$24,353	$24,353	$24,353
Construction Costs												
1 Bed		$250,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
2 Bed		$350,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
3 Bed		$450,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
4 Bed		$600,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
5 Bed		$650,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
6 Bed		$800,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
Contingency		$465,000		$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Construction and Development Costs				($1,010,000)	$0	($73,209)	($73,209)	($73,209)	($133,209)	($133,209)	($133,209)	($133,209)
Profit/Loss per month				$23,500	$0	($73,209)	($73,209)	($73,209)	($133,209)	($133,209)	($133,209)	($133,209)
Cumulative Project Surplus/Deficit				$23,500	$23,500	($49,709)	($122,918)	($196,126)	($329,335)	($462,544)	($595,753)	($728,962)
Finance												
Cumulative Provider Loan Requirement				$0	$0	$49,709	$122,918	$196,126	$329,335	$462,544	$595,753	$728,962
Cumulative Interest Cover				$0	$0	$290	$1,007	$2,151	$4,072	$6,770	$10,246	$14,498
Provider Lending Required to Cover Deficits				**$0**	**$0**	**$49,999**	**$123,925**	**$198,278**	**$333,407**	**$469,314**	**$605,999**	**$743,460**

FIGURE 28: DETAILED FEASIBILITY MODEL - PROJECT CASHFLOW

References

Guidance for respondent to the Invitation to Participate in Te Au Taketake of the Fund, Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, May 2021

Housing Expenditure Guide AD164, Te Tari Taake, Inland Revenue, August 2020

Investment Framework, Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, 2021

PHO Background, Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, 2021

PHO Pathways, Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, 2021

PHO Purchasing guidance, Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, 2021

PHO Due Diligence Criteria, Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, 2021

PHO Fund - Response Form, Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development, 2021

Appendix 1: AHM – Rent to Buy Decision Tree

The decision tree below can be used to assist the provider while using the **AHM – Rent to Buy Model**. The model provides a start of year 1 affordability measurement for the household/whānau to afford the assessed rental, along with Years 2– 15 measurements of the success of the household/whānau in acquiring full home ownership.

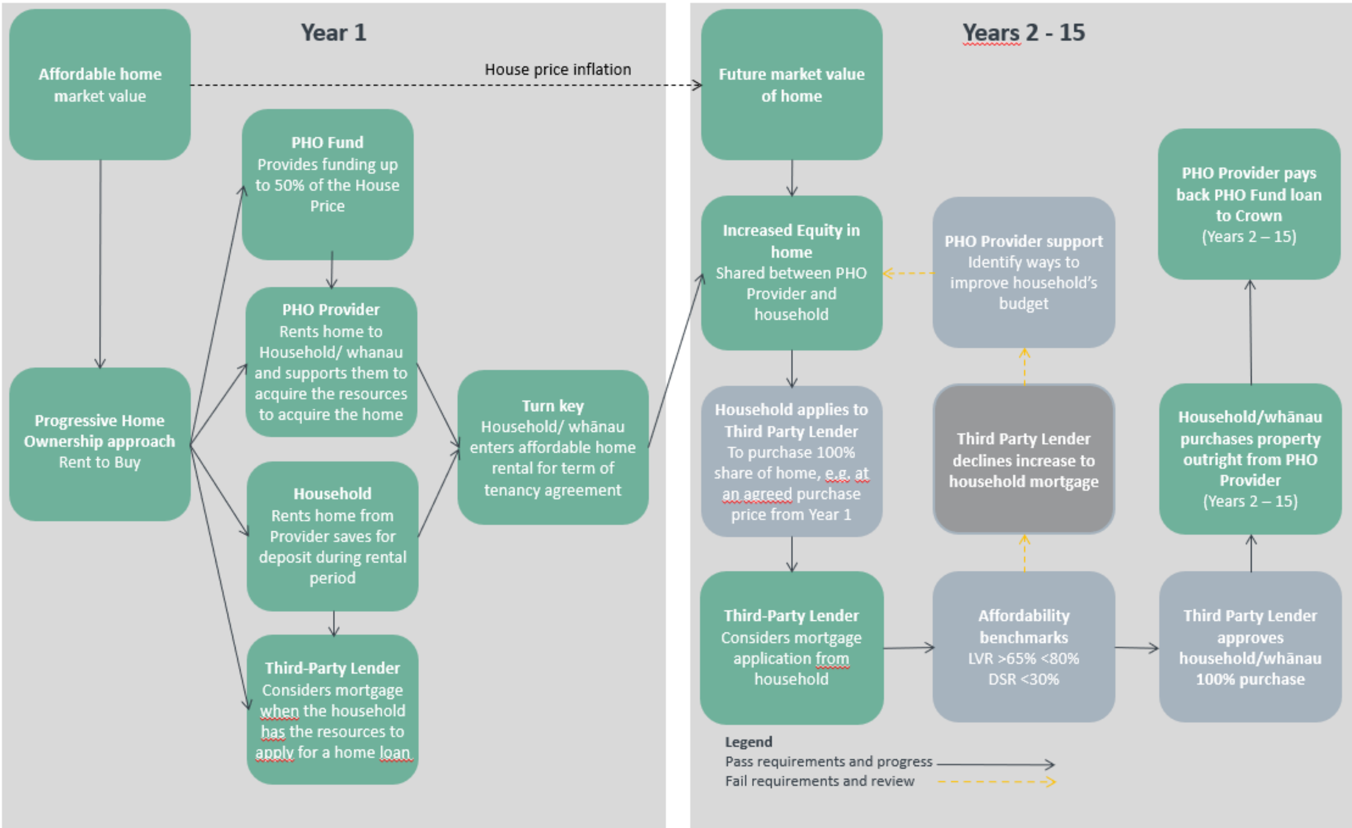


FIGURE 29: AHM – RENT TO BUY DECISION TREE

Appendix 2: Project Due Diligence and Documentation Checklist

Prior to commencing any subdivision or development, if the provider is looking to undertake the development themselves, it is essential to assess whether a proposed subdivision or development is **physically possible** in terms of the applicable planning requirements and is **financially feasible** in terms of the benefits outweighing the cost and investment.

The section below provides a summary of the decision-making process to determine whether you have a feasible project worth exploring further.

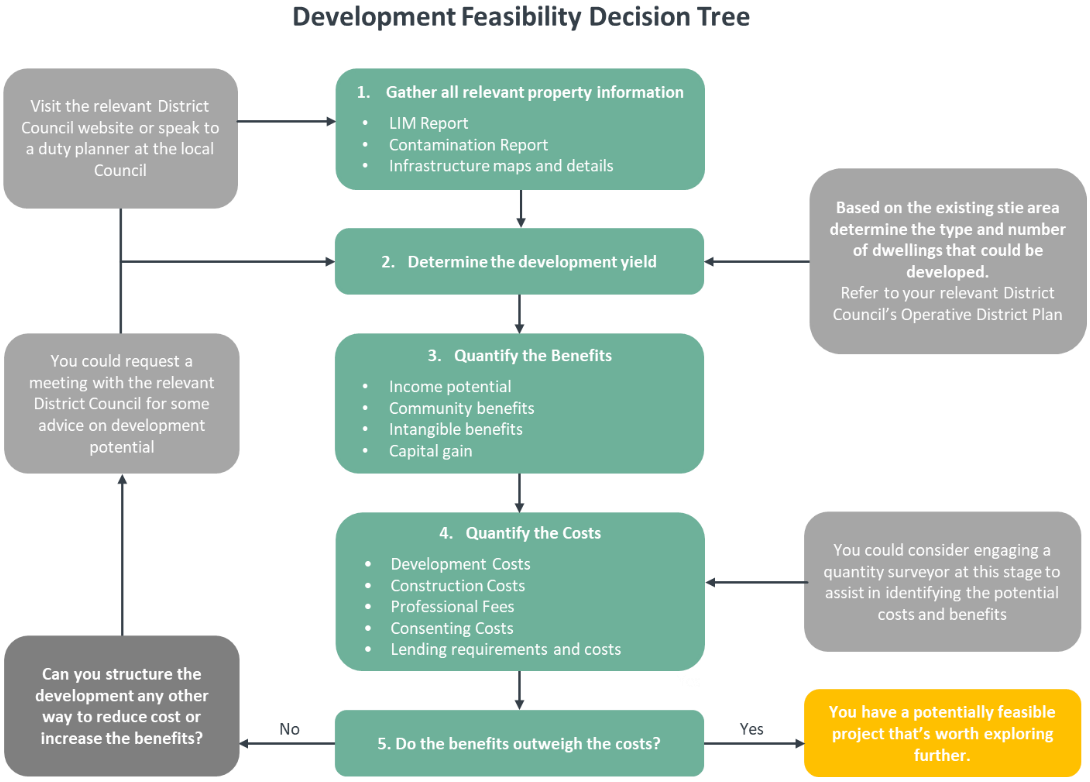


Figure 30: Development Feasibility Decision Tree

Once you have established that the project is potentially feasible and worth exploring further, you may want to consider engaging a range of consultants (a design team) to help you through the design and consenting process. The type of consultants you may want to consider engaging in a design team include:

Architect or builder	To run the design process and provide all plans required to support relevant consent applications. It may be that the builder offers a 'design and build' all-inclusive service for you. In this instance, they will manage the entire design, consenting and build process on your behalf.
Surveyor	To provide a plan of the site, location of services. This is particularly important if you are undertaking a subdivision.

Planner	To prepare a resource consent application if this is required.
Civil Engineer	They will provide drawings and specifications for any new proposed drainage, driveways (if required) and any other associated infrastructure.
Quantity Surveyor	To provide a detailed estimate of construction costs if required.

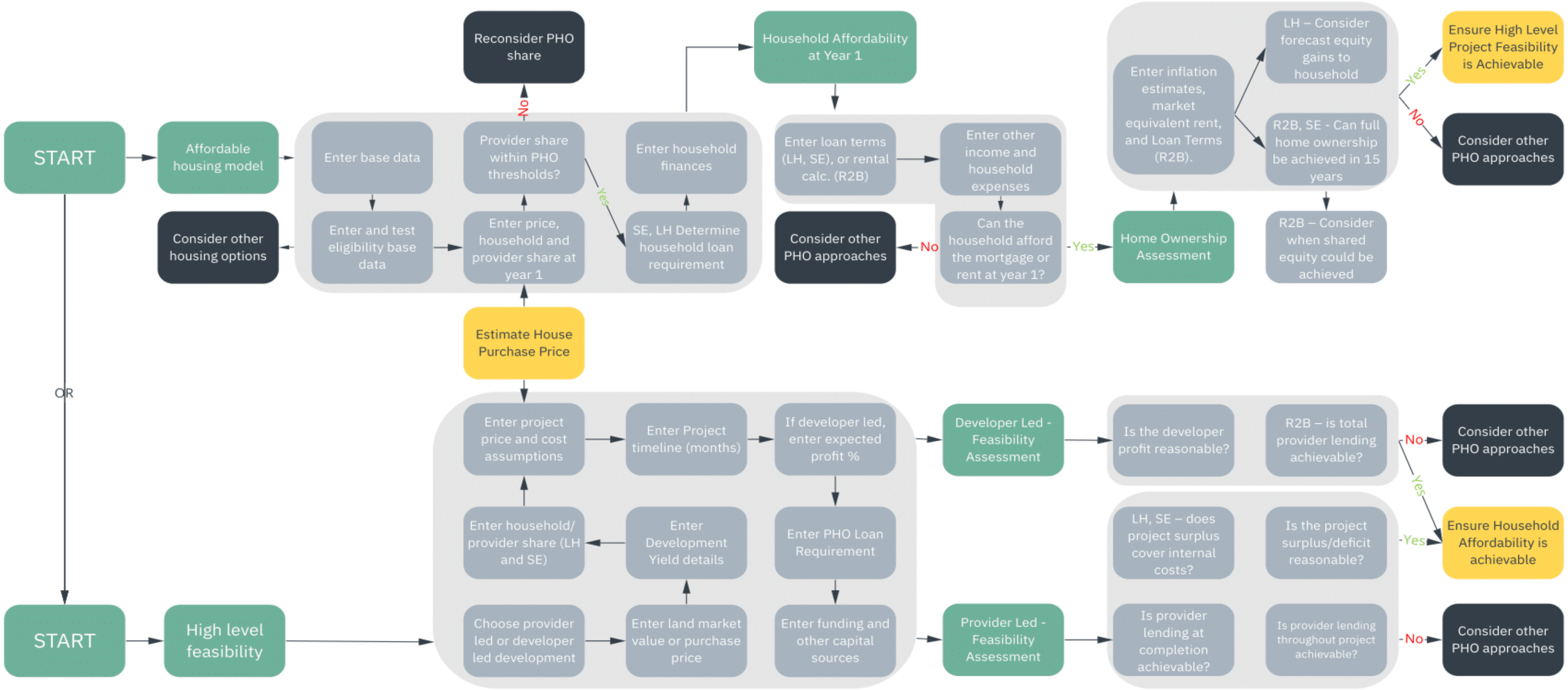
The following is a document checklist guide to assist you with the various stages of undertaking a subdivision and development. We note that there may be other documents required that are specific to your subdivision, development, or location.

Document Checklist:

- ✓ Record of Title
- ✓ Land Information Memorandum
- ✓ Geotechnical report
- ✓ Contamination report
- ✓ Valuation Report completed by a Registered Valuer
- ✓ Yield Analysis and proposed bulk and location plans
- ✓ Development feasibility report
- ✓ Architectural and engineering plans
- ✓ Resource Consent
- ✓ Building Consent
- ✓ Quantity Surveyor’s report
- ✓ Funding Approval
- ✓ Third-Party Lender’s Terms Sheet
- ✓ Construction Programme

Appendix 3: Stage 1 Approach Decision Tree

As a primary approach, the **AHM – Rent to Buy** and the **Preliminary Feasibility** can be used in conjunction to determine household/whānau affordability and project feasibility by using the dwelling sale price as an interchangeable variable between the two models. The initial approach provides a high-level indicator of whether a project will be feasible, and if the household/whānau will be able to afford to buy into the scheme (or investigate an alternative scheme).



SE: Shared Equity
LH: Leasehold
R2B: Rent to Buy

Appendix 4: Key Assumptions

General Assumptions

The below assumptions apply to the financial model and include:

1. The AHM – Rent to Buy does not factor in any income tax payable on the rental received by the provider.
2. The Preliminary Feasibility and Detailed Feasibility finance costs assume that an interest only lending facility will be accessed by the provider and does not account for principal repayments.
3. The Detailed Feasibility Model:
    - Does not factor in any rental income received from any dwellings which are completed and tenanted prior to the last dwelling being completed.
    - Assumes that site civils and infrastructure costs; professional fees; and council costs will be distributed evenly over the period of time specifed by the user of the model.
    - The Detailed Feasibility model assumes that the design, construction and sale period will be no longer than 60 months in total.