

9 February 2024

HUD2023-003473

s 9(2)(a)

Tēnā koe s 9(2)(a)

Thank you for your email of 21 December 2023 to Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (the Ministry) requesting *the difference to per square metre build costs between Kāinga Ora and community housing providers* under the Official Information Act 1982 (the Act).

The Ministry does not hold current comparable per square metre build (construction) costs for Kāinga Ora - Homes and Communities (Kāinga Ora) and Community Housing Providers (CHPs).

However, some work was undertaken last year to develop historical per square metre construction costs, and the findings were as described below. Construction costs for a project are defined as being those for 'above ground' works, and do not include Council consenting, professional fees, land acquisition, site development and other civil works costs. The costs arrived at for Kāinga Ora and CHPs are not suitable for comparison purposes as the sample sets and components that make up the rates are not entirely equivalent.

Kāinga Ora

The average contracted construction costs for new homes delivered by Kāinga Ora was \$3,462 per square metre plus GST for projects delivered in the six months to March 2023. These costs were for construction from foundations/floor slab upwards.

Kāinga Ora has a standard design guide that informs how their public housing projects are scoped and delivered. Kāinga Ora design requirements differ from private developers to cater for the needs of public housing customers. Their design requirements often exceed legislative controls, such as the Building Act, the New Zealand Building Code and Residential Tenancies (Healthy Homes Standards) Regulation. One example of this is that their apartment dimensions often need to be larger than private developments given the mobility and universal design requirements of their customers.

The average \$/m² cost of Kāinga Ora construction varies widely depending on a range of complicated variables that include factors such as typology, size, build and durability standards, construction methodology, and region. The calculation for Build Cost per square metre was a national average for recently contracted projects.

Community Housing Providers

The projected weighted average construction cost¹ for Ministry funded CHP projects tenanted in the financial year to the end of June 2023 was \$3,826 per square metre plus GST. These projects included ones that were leased as well as built-to-own by CHPs.

¹ The weighted average was arrived at by dividing the total construction cost of the 17 projects in the sample by the total constructed area. This number is different to the average of all the different construction rates of the individual projects.

Some of the projects in the sample for which this rate was calculated did not split out site works and other civil costs, which results in the calculated weighted average construction rate being overstated, as some of the costs for some of the projects were not 'above ground' in nature.

The construction figures used to inform these CHP rates were the forecast costs at the time the projects were approved for funding from the Ministry, which was prior to construction contracts being let, and in some cases was as long as three years prior to tenancing dates.

Context

The two construction cost rates noted above for Kāinga Ora and CHPs should not be used for comparative purposes as they have not been arrived at by using similar sample sets, calculation methodologies or costing information from the same time periods and points in the project lifecycle.

Kāinga Ora delivers more projects overall than CHPs which means that the sample sets used to estimate construction rates were not the same size. Additionally, comparatively more Kāinga Ora projects are larger in scale and located in the main urban centres, whereas CHPs have a greater proportion of projects that are smaller and/or are built in regional locations. Kāinga Ora costs were taken from approved contracts whereas CHP costs were taken from project approvals, and the approval step occurs earlier in the project development process than contracting.

You have the right to seek an investigation and review of my response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website at: www.ombudsman.parliament.nz.

As part of our ongoing commitment to openness and transparency, the Ministry proactively releases information and documents that may be of interest to the public. As such, this response, with your personal details removed, may be published on our website.

Nāku noa, nā



Jonathon Fraser
General Manager, Housing and Service Delivery