

**I give notice that  
an Extraordinary Meeting of Council will be held on:**

<b>Date:</b>	<b>Tuesday, 23 April 2024</b>
<b>Time:</b>	<b>2.00pm</b>
<b>Location:</b>	<b>Council Chamber 107 Te Heuheu Street Taupō</b>

# **AGENDA**

## **MEMBERSHIP**

**Chairperson** Mayor David Trewavas  
**Deputy Chairperson** Cr Kevin Taylor

**Members**

- Cr Duncan Campbell
- Cr Karam Fletcher
- Cr Sandra Greenslade
- Cr Kylie Leonard
- Cr Danny Loughlin
- Cr Anna Park
- Cr Christine Rankin
- Cr Rachel Shepherd
- Cr Kirsty Trueman
- Cr Yvonne Westerman
- Cr John Williamson

**Quorum** 7

**Julie Gardyne  
Chief Executive**

# Order Of Business

<b>1</b>	<b>Karakia</b>	
<b>2</b>	<b>Whakapāha   Apologies</b>	
<b>3</b>	<b>Ngā Whakapānga Tukituki   Conflicts of Interest</b>	
<b>4</b>	<b>Ngā Kaupapa Here Me Ngā Whakataunga   Policy and Decision Making</b>	
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<b>5</b>	<b>Ngā Kōrero Tūmataiti   Confidential Business</b>	
	Nil	

**4.1 KERBSIDE RUBBISH AND RECYCLING OPTIONS FOR INCLUSION IN THE LONG-TERM PLAN CONSULTATION DOCUMENT**

**Author:** Brent Aitken, Environmental Impact Manager

**Authorised by:** Tony Hale, Acting General Manager Operations and Delivery

**TE PŪTAKE | PURPOSE**

To approve the options for the kerbside rubbish and recycling service for the residential areas and Tūrangi, Taupō town centres and neighbourhood shops areas that will be included in the Long-term Plan 2024-34 consultation document.

**WHAKARĀPOPOTANGA MATUA | EXECUTIVE SUMMARY**

Council's existing kerbside rubbish and recycling collection contract is coming to its end. As the kerbside rubbish service affects a wide number of people and a service change will result in a change in level of service, this topic must be consulted on as part of the Long-term Plan 2024-34 consultation document. This paper seeks confirmation of the options, including Council's preferred options that should be included in the consultation document. The Long-term Plan consultation document will be adopted for an audit process on 3 May 2024.

The Long-term Plan consultation document will present options for both the residential areas and Tūrangi and Taupō town centres and neighbourhood shops kerbside waste collections. The service will include rubbish, recycling, and food waste collections.

**NGĀ TŪTOHUNGA | RECOMMENDATION(S)**

1. That in the Long-term Plan 2024-34 consultation document, Council includes the following options for the issue, 'kerbside rubbish and recycling collection':
  - a. Option 1 – rates-funded wheelie bins.
  - b. Option 2 – 'pay-as-you-throw' bag collection.
2. That Council identifies Option 1 – rates funded wheelie bins, as its preferred option for the issue 'kerbside rubbish and recycling collection' in the Long-term Plan 2024-34 consultation document.

**TE WHAKAMAHUKI | BACKGROUND**

Council's existing contract for kerbside waste and recycling collection ends on 30 June 2025. Currently this service consists of:

- The weekly collection of households recycling crates, including one for glass, which is fully funded by rates.
- The weekly collection of household rubbish which is picked up by contractors and is fully funded by the users of the service.
- Households can put out as much or as little recycling and rubbish as they wish, and they can choose whether to use their own bags, a Budget Waste prepaid bag or a wheelie bin.
- Commercial businesses in our service collection areas can use recycling crates and the range of rubbish options like residential households. They have a pick-up service twice a week.

The current kerbside collection provider picks up their own rubbish bags and wheelie bins while they collect the kerbside stickered bags. They also collect outside the Council collection areas (eg on some rural roads) on the way from one collection area to another.

An interactive map showing Council's existing collection areas can be viewed at:

<https://www.taupodc.govt.nz/property-and-rates/rubbish-and-recycling/kerbside-refuse-and-recycling-collection>

The modelling in this paper is based on 18,000 residential units in our urban collection areas and 250 businesses in the collection area for the Taupō and Tūrangi town centres and neighbourhood shops.

Council is looking to change the way this service is delivered because the current approach has these issues:

- Limited diversion potential. People can choose whether they want to recycle or not, and only those who are able to compost or have a worm farm can divert their food scraps. This means that items that could be viably recovered and recycled/composted are currently being disposed of to landfill. Waste analysis shows that 40% of current waste going to landfill via kerbside waste collection could be diverted at the kerbside. This has major knock-on effects including costs, landfill capacity and greenhouse gas emissions.
- Limited potential to reduce emissions. Nationally, 9% of New Zealand's biogenic methane emissions and 4% of our total greenhouse gas emissions come from food and organic waste. Organics currently make up on average 27% of all rubbish bags collected at the kerbside. Emission reduction from food scraps collection is estimated to divert up to 1,000 tonnes of food scraps from landfill which then significantly reduces the amount of methane produced and would reduce Emissions Trading Scheme costs.
- High level of health and safety risk to workers. The current manual lifting of both bags and crates places collectors at risk of injury from both heavy lifting and from dangerous/sharp items protruding from bags. The market has indicated that they want to move away from non-automated collection systems due the health and safety risks involved. The shortage of drivers willing to work in this environment is another reason that the waste industry is moving away from bags and crates.
- Rubbish bags are part of the litter problem. Kerbside rubbish bags contribute to litter contaminating our streets and waterways through windblown material from bags which have not been tied correctly or have had animal damage.
- Community expectations. There has been a shift in community expectations around the kerbside waste services provided by Council. This is evident by feedback in favour of changing the kerbside waste services from bags to bins and in the number of requests received by staff around increasing recycling for different materials.
- Lack of incentivisation to reduce waste. The low cost of rubbish bags, coupled with the absence of a limit to how many bags can be put out for collection each week, currently does not provide any incentive for householders to reduce the amount of waste they are sending to landfill. At a collection level, Council's focus is on waste diversion where the private sector is focused on gaining market share by offering additional waste capacity or collection frequency, effectively dis-incentivising any effort to reduce waste to landfill.
- Council's current bag with sticker service collection only accounts for 27% of the district's rubbish market at the kerbside. This had made it unattractive for contractors to put in tenders for the Council kerbside collection. It also undermines Council's waste minimisation goals.

Through the Long-term Plan process, Council intends to investigate and consult on the kerbside waste and recycling service options from **Year 2** of the Long-term Plan 2024-34. The status quo service will operate for **Year 1** to enable time to implement a new service.

Because the impacts of this decision will affect a wide range of people and potentially result in a change in the levels of service, this topic should be presented as an issue in the Long-term Plan consultation document. For all issues presented in the consultation document, Council must present the practicable options and identify its preferred option. The intention is that the consultation document will be adopted for audit on 3 May 2024 and then be open for submissions in June.

### **Community survey**

A public survey was undertaken in August 2023, which received over 1,272 responses. The results of the survey are summarised in Appendix 1. The survey showed a strong preference for a wheelie bin service with mixed views on the frequency, although there was more support for the less expensive fortnightly option.

### **Previous workshops**

The proposal has been presented to Council at workshops on 18 May 2023, 29 September 2023 and 15 February 2024.

At the workshop on 18 May 2023, councillors were provided with a presentation which:

- Introduced the kerbside rubbish and recycling service delivery review.
- Outlined the existing service and the issues that are being faced.
- Identified that officers had started with 13 potential options which had been scored according to a matrix and reduced to 4 options. These options were discussed with councillors.

At the 29 September 2023 workshop, a presentation was given to councillors which:

- Gave councillors an update on the results on the survey that was undertaken in August 2023.
- Presented some indicative costs.
- Explained that officers intended to undertake a tender process to test the market. This would help Council understand the different costs associated with the options. Officers clarified that this process would in no way commit Council to a particular outcome.
- Sought direction on the options to be included in the tender documents. The direction was given that officers should go out to tender on the residential options of 'pay-as-you-throw' weekly bag collection and rates-funded wheelie bins.
- A 'pay-as-you-throw' wheelie bin service was discounted for several reasons, including a loss of market share, an acknowledgement that the commercial market is focused on increasing volumes rather than waste minimisation. It was also identified that administering a user pays service is onerous and expensive for Council as experienced by other councils.

At the 15 February 2024 workshop, a verbal update was given to provide indicative costs for the two options.

## **NGĀ KŌRERORERO | DISCUSSION**

### **Food waste collection**

The previous Government signalled a desire to make food waste collections mandatory however this has yet to be drafted into regulations. The development of regulations is now awaiting further decisions by the current Government. Despite this, many other councils have already implemented, or are planning to implement this service. The recommendation is that the collection of food waste is included as part of any future service option. This reflects the significant benefits including:

- The ability to environmentally dispose of food waste products that cannot be composted, such as bones.
- A reduction in greenhouse emissions and emission costs.
- The ability to move to a fortnightly collection for rubbish.
- Reduction of waste to landfill.

The anticipated annual cost in Year 2 of the food waste collection is \$64 per property. This cost could be reduced by applying a portion of the Waste Minimisation Levy. It is proposed that the food waste collection service would occur weekly to help prevent issues such as smell. Officers consider that if no food waste collection service is offered, then a weekly rubbish collection would be required. This would require going through a new tender process.

### **Multi-unit developments and commercial accommodation**

There are some multi-unit residential developments located in urban areas. These are anticipated to be provided with the wheelie bin service. However, once there are more than 10 units in a development there are likely to be issues with the management of multiple bins. In that situation the expectation is that a Council service will not be provided and instead the residents will need to negotiate for their own waste management service from a private supplier. Pragmatically, this approach will likely lead to fewer, larger, shared bin services for these multi-units.

Similarly, the intention is not to provide a Council service to commercial accommodation providers. Their needs vary significantly in terms of the frequency of collections and the volume of waste being generated. It is considered more appropriate that they negotiate bespoke arrangements with private suppliers in the market.

### **Collection service areas**

The intent is that the existing collection areas would continue to be serviced. There is some potential to move collection boundaries if it is desired by certain communities. This would need to be considered when requests are received. Requests would be looked at on a case-by-case basis which would consider aspects

such as health and safety and the cost of delivering the service. Consultation with the affected community would need to occur before any changes were made.

Where the market is currently providing services outside the collection areas (eg rural roads), the market would need to decide whether this is to continue. This is a commercial arrangement which Council has no control over. These areas would need to negotiate with commercial operators.

### **Holiday homes**

There has been some concern that a move to a rates-funded service would be unfair to holiday homeowners who will be paying for the service but not using it regularly.

- Council will work with the communities to investigate locals who may wish to put bins back for others.
- A move to a fortnightly service will minimise cost.
- The weekly peak service will cater for holiday homes when they are most likely to be occupied.
- The trucks will be required to drive past homes, regardless of whether people are there all year to use. This comes at a cost.
- Opening hours at transfer stations will be investigated.

### **Bin suites**

Should the wheelie bin option be selected, a standardised bin suite would be rolled out in Year 2. However, in the future there could be the option for users to select a different sized rubbish bin. This would accommodate users who do not use the standardised bin suite. The advice from other councils has been to roll out a standardised suite initially to help encourage behaviour change before introducing any additional options.

## **NGĀ KŌWHIRINGA | OPTIONS**

### Analysis of Options

This section describes the options that officers believe are reasonably practicable and should be presented to the community in the consultation document.

Please note that the option titles and the advantages/disadvantages may be altered during the writing of the consultation document and through the audit process to assist with readability and ensure legislative compliance.

Both options would see a continuation of the status quo for Year 1. Please note that for the purposes for this agenda item, all figures in this document have been prepared on a GST inclusive basis. These costs are approximate at this time as Council has yet to decide on the service it will provide and then the final costs will need to be negotiated with the successful tenderer. Where rubbish bag costs are modelled this is on the basis of a \$3 bag price.

### Option 1 – Rates-funded wheelie bins (the preferred option)

- A fully rates-funded service for those who are within the existing service collection areas.

#### **Residential**

- The estimated annual cost for a household receiving the service is approximately \$366 in rates with no user fees.
- 140L rubbish bin, 240L recycling bin and 23L food waste bin and up to two 45L glass crates.
- Weekly food waste collection.
- Rubbish and recycling collection to be weekly during the summer peak and fortnightly for the remainder of the year.
- An assistance service to put bins back for users who are medically unable to do it themselves. This would be covered by rates.

#### **Taupō and Tūrangi town centres and neighbourhood shops**

- The estimated annual cost for a business in the Taupō and Tūrangi town centres and neighbourhood shops is \$644 in rates with no user fees.

- A 240L wheelie bin for rubbish, a 240L wheelie bin for recycling, and a 23L food waste bin and up to two 45L crates for Glass
- Weekly service, moving to twice weekly over peak.

**Financial impacts**

Impacts on rates:

In Year 1 there would be costs associated with education and rolling out the new service, however these would be funded through a one-off Government grant.

The estimated annual cost for residential households in Year 2 would be \$366 which is entirely rate funded.

The estimated cost for businesses in Taupō and Tūrangi town centres and neighbourhood shops in Year 2 would be \$644 which is entirely rate funded.

Impacts on debt:

- There would be an upfront \$3 million cost to purchase the bin suite. The full debt impacts over the life of the Long-term Plan are shown in the financial section of this report.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Wheelie bins will reduce lifting for users.</li> <li>• Reduces manual handling for collection operators and improves health and safety outcomes.</li> <li>• Some households will save money through switching from private waste services due to introduction of standardised bin set because Council has economies of scale from providing a standardised rubbish collection service.</li> <li>• Would incentivise diversion based on restricting how much rubbish can be thrown out and only collecting once a fortnight for most of the year.</li> <li>• Greater diversion of waste means Council won't have to purchase as many carbon credits delivering a cost saving for ratepayers.</li> <li>• Reduce amount of single use rubbish bags into the landfill.</li> <li>• Reduce street litter as less animal interference and windblown material.</li> <li>• In the future, Council could provide different rubbish bin sizes to help people manage their costs associated with waste disposal.</li> </ul>	<ul style="list-style-type: none"> <li>• Issues associated with non-resident owners returning bin from kerbside.</li> <li>• Bins take up more space on people's property. This can be a bigger issue where there is higher density housing like apartments or retirement villages.</li> <li>• New bin service would initially require additional resources for education and roll-out.</li> <li>• Requires the implementation of a three-strike programme like other Council contamination reduction programmes to avoid people adding non-recyclables into recycling bin to manage contamination of recycling.</li> <li>• Possible confusion for pick up due to fortnightly frequency.</li> <li>• Capex costs for bin infrastructure and ongoing replacement.</li> <li>• Increased costs for households and businesses that currently produce low amounts of waste. Particularly the case with holiday homes which are used infrequently.</li> <li>• Increased contamination with recycling bin compared to crates.</li> <li>• Businesses that need more capacity to dispose of waste will need to look at additional private options.</li> </ul>

Option 2 – 'Pay-as-you-throw' rubbish bags.

- The estimated annual cost for a household is approximately \$340, consisting of \$184 in rates and an estimated \$156 for rubbish bags, including their disposal, over the year (an average of one rubbish bag per week).
- The annual cost for a business is approximately \$688, consisting of \$376 in rates and an estimated \$312 for rubbish bags, including their disposal, over the year (an average of 2 rubbish bags per week).

- This is similar to the status quo, with the addition of the food waste collection.
- ‘Pay-as-you-throw’ for weekly rubbish collection for residential users.
- ‘Pay-as-you-throw’ twice weekly rubbish collection for Taupō, Tūrangi town centres and neighbourhood shops.
- Rates-funded weekly recycling crates and 23L food waste bin collections.

**Financial impacts**

Impacts on rates:

The estimated cost for Year 2 will be made up of:

- Approximately a \$184 targeted rate for recycling and food waste collection for households.
- Approximately a \$376 targeted rate for recycling and food waste collection for businesses.

Impacts on debt:

- There is no impact on debt for this option.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Users are familiar with the service.</li> <li>• Minimal bin storage requirements.</li> <li>• Users have the flexibility to choose the rubbish service that best suits their needs from a range of bags and wheelie bins.</li> <li>• Households can directly control their costs by managing the amount of waste they throw out.</li> <li>• Households can use as many bags or wheelie bins as required. This particularly affects large households.</li> <li>• Lower targeted rates, as ‘pay as you throw’ charges fund the rubbish portion of the service cost.</li> <li>• Kerbside crate sorted service for recycling can produce good quality recovered material and there is low contamination as materials that are not recyclable are left behind.</li> </ul>	<ul style="list-style-type: none"> <li>• The waste sector has indicated they no longer consider this to be best practice because of health and safety issues.</li> <li>• No limit on waste put at the kerbside does not encourage waste diversion, leading to the landfill capacity being used up faster.</li> <li>• Animal interference with rubbish bags creates issues with waste being strewn.</li> <li>• Environmental concerns about plastic rubbish bags decomposing in landfill.</li> <li>• Environmental harm from recycling crates being blown around.</li> <li>• Peak periods create large volumes on kerbside which creates collection issues and environmental issues.</li> </ul>

Analysis Conclusion:

Officers consider that **Option One- Rates-funded wheelie bins** should be identified as the preferred option in the Long-term Plan consultation document because:

- Although the financial cost to households is approximately \$26 more per year for the wheelie bin option there are substantial waste minimisation benefits.
- The financial cost for businesses is approximately \$44 cheaper compared to the bag option.
- By restricting the amount of rubbish that can be thrown this option will encourage waste diversion, which will help to achieve Council’s waste diversion targets in the Waste Management and Minimisation Plan. That has flow on benefits by slowing the rate at which we use up the landfill.
- The introduction of wheelie bins will reduce health and safety risks for contractors.
- It would help to reduce animal interference and wind disturbance of waste and recycling.
- Fully rates funding the service encourages multiple contractors to tender ensuring that there is a competitive price for providing the service in the future.



## NGĀ HĪRAUNGA | CONSIDERATIONS

### Ngā Aronga Pūtea | Financial Considerations

These costs are indicative based on the tender process to date. These are likely to change because of final negotiations of a contract. It is not anticipated that the variations will be significant.

#### Rating debt impacts

The initial anticipated rating impacts for individual households and businesses are shown in the options analysis.

While the rating impact has been shown, the financial analysis has also shown the approximate overall costs to households and businesses. This reflects the differences between a fully rates funded option versus one that includes user fees.

Option 2 – ‘pay-as-you-throw’ rubbish bags doesn’t result in any additional debt for Council. Option 1 – rates funded wheelie bins results in the following debt impacts (inflated numbers):

	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Debt</b>	3,060,000	2,847,816	2,628,320	2,401,243	2,166,339	1,923,348	167,2116	1,412,487	1,144,191
<b>Interest</b>	145,962	130,858	121,023	114,926	107,110	98,561	88,808	78,503	66,474
<b>Depreciation</b>	306,000	306,000	315,382	324,970	334,760	344,745	35,4920	365,289	375,855
<b>Rating impact</b>	451,962	436,858	436,405	439,896	441,870	443,306	443,728	443,792	442,329

#### Other financial implications

Option 1 – rates funded wheelie bins would result in a significant change for users. Council would need to deliver a comprehensive change management process over Years 1 and 2 of the Long-term Plan. This would impact users in the community as well as internal teams required to deliver the new service like communications, engagement, rating and technology services. The exact costs have not yet been determined however it is anticipated that they would be funded by a one-off grant from the Government.

### Ngā Aronga Ture | Legal Considerations

#### Local Government Act 2002

The matter comes within scope of the Council’s lawful powers, including satisfying the purpose statement of [Section 10](#) of the Local Government Act 2002. That section of the Act states that the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. It is considered that the social, economic, environmental and cultural well-beings are of relevance to this particular matter.

The proposal has been evaluated with regards to a range of legislation. The key legislation applicable to the proposal has been reviewed and the relevant matters for consideration are as follows:

- The Waste Minimisation Act 2008 encourages a reduction in the amount of waste we generate and dispose of in New Zealand. Council is required to prepare a Waste Management and Minimisation Plan every six years. The Waste Minimisation Act also requires the waste levy to help incentivise waste reduction.
- The Local Government Act sets out decision making requirements and directs what must be included in a Long-term Plan and its consultation document.

### Ngā Hīraunga Kaupapa Here | Policy Implications

Council has an existing Waste Management and Minimisation Plan which is being reviewed alongside the Long-term Plan. The review of that plan suggests that Council needs to do more to help the community reduce waste and proposes changes to the kerbside service to assist. Council will be able to consider the submissions on the draft Waste Management and Minimisation Plan alongside the submissions on the

proposed kerbside service changes. This will facilitate integrated decision making and in no way predetermines either Council's policy direction or proposed service approach.

Once Council has chosen how to deliver this service it will be necessary to review the existing Solid Waste Bylaw to ensure that it is fit for purpose. If the wheelie bin options are chosen this will likely result in substantial changes to the bylaw, with the need to look at issues like managing contamination of recycling wheelie bins and tools to encourage waste minimisation planning.

### **Te Kōrero tahi ki te Māori | Māori Engagement**

Taupō District Council is committed to meeting its statutory Tiriti O Waitangi obligations and acknowledges partnership as the basis of Te Tiriti. Council has a responsibility to act reasonably and in good faith to reflect the partnership relationship, and to give effect to the principles of Te Tiriti. These principles include, but are not limited to the protection of Māori rights, enabling Māori participation in Council processes and having rangatiratanga over tāonga.

Our statutory obligations outline our duties to engage with Māori, and enable participation in Council processes. Alongside this, we recognise the need to work side by side with the ahi kaa / resident iwi of our district. Engagement may not always be required by law, however meaningful engagement with Māori allows Council to demonstrate good faith and our commitment to working together as partners across our district.

Appropriately, the report author acknowledges that they have considered the above obligations including the need to seek advice, guidance, feedback and/or involvement of Māori on the proposed recommendation/s, objective/s, project/s or service/s outlined within this report. The draft Waste Management and Minimisation Plan identified the review of kerbside waste services. The draft plan was circulated to our iwi partners for feedback. No feedback has been received to date; however, iwi and hapū will have a further opportunity to make submissions on both that draft plan and this proposed level of service change during the public consultation period.

### **Ngā Tūraru | Risks**

Several risks have been identified in the options analysis. In addition, Council should be cognisant of the following potential risks:

- The implementation costs for a new bin service have yet to be fully costed, however it is assumed that they will be fully covered by a one-off grant from the Government. We are confident that the grant will be provided however there is always a risk that the Government changes this.
- Regardless of the service option chosen the Council's intention is to enter a 10-year contract. This provides some benefits in terms of certainty of supplier and costs; however, it also locks Council into a particular service delivery model for a prolonged period.
- The bin service option would involve a significant change management process for the community as well as some teams within the Council. This creates risks in terms of community support as well as pressure on Council's ability to deliver other proposed work.
- The financial modelling presented in this paper may be subject to further change because of the audit process. If any adjustments are required because of that audit there will be an opportunity for Council to discuss them before adopting the Long-term Plan consultation document on 31 May 2024.
- To successfully implement a new bin service Council would also need to make changes to the existing Solid Waste Bylaw. That would be a separate process of consultation and decision making and cannot be predetermined.
- The Government provides councils with a waste levy to help fund waste reduction services. That levy will be able to be used to fund the new service, however the exact amount of that levy is subject to change.

### **TE HIRANGA O TE WHAKATAU, TE TONO RĀNEI | SIGNIFICANCE OF THE DECISION OR PROPOSAL**

Council's Significance and Engagement Policy identifies matters to be taken into account when assessing the degree of significance of proposals and decisions.

Officers have undertaken an assessment of the matters in the [Significance and Engagement Policy \(2022\)](#), and are of the opinion that the proposal under consideration is significant.

**TE KŌRERO TAHI | ENGAGEMENT**

Engagement on this topic will occur as part of the wider consultation/engagement on the Long-term Plan.

**TE WHAKAWHITI KŌRERO PĀPAHO | COMMUNICATION/MEDIA**

This issue will be formally communicated about as part of the Long-term Plan consultation process.

**WHAKAKAPINGA | CONCLUSION**

Officers consider that for the residential kerbside waste and recycling issue, **option one- rates-funded wheelie bins** should be identified as the preferred option in the consultation document because:

- Although the average financial cost to households is approximately \$26 more per year for the wheelie bin option there are substantial waste minimisation benefits.
- The financial cost for businesses is approximately \$44 cheaper on average compared to the bag option.
- By restricting the amount of rubbish that can be thrown this option will encourage waste diversion, which will help to achieve Council's waste diversion targets in the draft Waste Management and Minimisation Plan. That has flow on benefits by slowing the rate at which we use up the landfill.
- The introduction of wheelie bins will reduce health and safety risks for contractors.
- It would help to reduce animal interference and wind disturbance of waste and recycling.
- Fully rates funding the service encourages multiple contractors to tender ensuring that there is a competitive price for providing the service in the future.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

1. Appendix 1 - Summarised survey responses

**4.2 EAST URBAN LANDS (EUL) DEVELOPMENT PARTNER & LONG-TERM PLAN OPTIONS**

**Author:** Peter Handcock, Commercial Manager

**Authorised by:** Chris Haskell, Acting Manager Housing and Property Investment

**TE PŪTAKE | PURPOSE**

To consider the development of the Council's East Urban Lands (EUL), receive an update on the negotiation of commercial terms with Council's preferred development partner, consider sales options for Stages 1 & 2 - with Stages 1B & 2 being subject to Long-term Plan (LTP) consultation, and agree on the preferred option for Council's LTP consultation.

**WHAKARĀPOPOTOTANGA MATUA | EXECUTIVE SUMMARY**

Council and the community have expressed a strong desire to address housing issues in the Taupō district. These have been well-canvassed with the community, including throughout development of Council's Housing Strategy in 2023.

Average house prices in Taupō township are \$971,000<sup>1</sup>, which is unaffordable for many buyers, and there is also a shortage of rental housing options. Anecdotally, housing challenges can be a deterrent for employers looking to grow capability in the region.

Officers were directed to explore different options to relieve the shortage of homes, after which an East Urban Land Release Plan was compiled. Following on from this Plan, an East Urban Land Development Business Case was presented as part of the 2023/24 Annual Plan process, where Council decided to invest in consenting, design, earthworks, and civil works for a 6ha portion of the EUL. This investment came from Council's strategic property reserves, not rates and was primarily aimed at increasing the value of the land and opening options for future use of the land.

A procurement process for a suitable development partner was completed in 2023, to assess whether a partnership approach to development of the EUL was possible. Following a detailed procurement assessment, a preferred development partner was chosen and is a consortium incorporating Penny Homes Limited, Tūwharetoa Settlement Trust, and Classic Builders.

Negotiations with the preferred development partner on key commercial terms followed, subject to completion of the Council decision-making process, including LTP consultation for any sales which require further investment in the development of EUL (Stages 1B & 2). These key commercial terms have now been determined and that has helped to better understand the benefits, costs, and risks of this potential partnership approach, and so enable the Council to fully assess the options and to inform LTP consultation.

There are three options which have been assessed within this paper:

- Partnering with a development partner to provide attractive, quality homes
- Selling the sections on the open market
- Retaining the land

Following a detailed analysis of the three options, officers have concluded that Option 1, the development partner sale option has the best chance of success in terms of delivering positive housing outcomes and financial returns to Council, in a much shorter timeframe than the other options.

The development partner sale option has been assessed against the negotiation of favourable commercial terms with Council's preferred development partner, including market value sale price. In this option, future development investment is being proposed in a financially prudent manner, which does not put any pressure on Council's rates, and limits pressure on Council's debt.

We are now at the point where we could progress completion of Stage 1 of the EUL development with Council's preferred development partner. Council proposed that by reducing the section size and house area, it enables the delivery of quality homes in keeping with the rest of the nearby area but at a lower market price. They have undertaken to deliver 38 homes (which would be suitable for first home buyers) priced from \$550,000 for a 2 bedroom home and \$650,000 for a 3 bedroom home. For the 38 homes, there would be an eligibility assessment process which Council would determine at a later date. The remaining

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<sup>1</sup> Source: Taupō Real Estate Market Report, Bayleys, December 2023. The annual moving median in 2023 including Taupō, Kinloch, Mangakino and Waitahanui was \$833,000

homes (circa 65%) would sit outside of the Council's affordability criteria and be made available to the general market to purchase.

The development partner would build the homes, then manage the sales and marketing of completed homes. Council becomes the enabler of this development but is not the developer, nor is it carrying all the typical development risk.

The other options could limit further investment in EUL and would ensure no additional pressure was put on debt in the first few years of Council's LTP. However, those other options would also not achieve the same level of financial return for Council, or the housing outcomes desired, recognising that some may be achieved through typology of the sections.

Council would also lose control over the look and feel of the development, with possible inconsistencies in housing delivery. Furthermore, sales of vacant sections direct to the public will incur marketing costs, and real estate agency commission costs. Timing of section sales would either be delayed completely or slower than the development partner approach, as there would be no capital kickstart.

### NGĀ TŪTOHUNGA | RECOMMENDATION(S)

That Council:

1. **Approves** proceeding with an agreement for the sale of Stage 1 & 2 of Council's East Urban Lands, to Council's preferred development partner (a consortium incorporating Penny Homes Limited, Tūwharetoa Settlement Trust, and Classic Builders) in order to deliver quality homes at a lower market price to the community within the key commercial terms disclosed, with Stages 1B & 2 subject to Council's 2024-34 Long-term Plan decision-making process; and
2. **Delegates** authority to the Chief Executive to undertake the necessary legal agreements to finalise the sale and key commercial terms, as disclosed; and
3. **Approves** the preferred option for the 2024-34 Long-term Plan consultation as Option 1, for Council to proceed with its preferred development partner for Stage 1B, and Stage 2 of the EUL Housing Project and continue to develop the East Urban Lands in a financially prudent manner which does not put pressure on rates increases and limits pressure on Council's debt.

### TE WHAKAMAHUKI | BACKGROUND

One of the priorities of the Long-term Plan (LTP) 2021-31 included Council addressing housing issues.

When Council developed its Housing Strategy in 2022-2023, it became clear that the Taupō district had a severe shortage of suitable first-home buyer housing. In response, Council began a process to test the market to see if it was possible to deliver housing through an agreement with a builder/development partner, specifically focusing on Council-owned East Urban Lands.

At a meeting held on 19 December 2023, Council received a report entitled *East Urban Lands (EUL) Progress Update* (Appendix 4) and resolved to:

- direct officers to continue to progress negotiations with the preferred building/development partner in relation to affordable housing for only stages 1A, and 1B, and 2 of the EUL;
- direct officers to report back to Council to determine options for facilitating delivery of affordable housing within the EUL, which will include an agreement with the building/development partner that would be subject to Council's Long-term Plan process.

This paper focuses on the options for the method of sale of the developed EUL sections, to be formally consulted on in the LTP 2024-34.

#### Annual Plan

Through the 2023/24 Annual Plan feedback was sought on whether Council should invest an initial \$7.6M to develop a 6ha area within the EUL (known as Stage 1A) in the 2023/24 financial year. This did not affect rates as it was proposed to be funded through the Strategic Property Reserve from previous property sales. The consultation document said that the \$7.6M would fund consenting, design, earthworks, and some civil construction such as roads, three waters, electricity etc. This work would increase the land's value and provide Council with a range of future options.

Future options could include:

- selling the land for a profit to benefit the community;
- using the land for houses that are not currently being provided by the market (for example, smaller homes suitable for retired people or first-home buyers);
- retaining the land for future growth until the market is stronger;
- a mix of all these options.

During the Annual Plan, it was decided that the earthworks and civil works (roading, and other infrastructure such as three waters and electricity) would be completed in two parts, and therefore the funds were to be drawn down across two financial years. For FY23/24, the drawdown for Stage 1A (earthworks and civil works) and for Stage 1B (earthworks) was \$7.646 million. The remaining expenditure required for civil works for Stages 1B and 2 will be drawn down over future financial years, subject to approval in the LTP 2024-34.

### **Project progress**

Stage 1 of the housing development, approximately 116 lots, is broken into two separate areas, Stage 1A and 1B. Earthworks on Stages 1A and 1B have been completed.

Further development of Stage 1A, including civil works and titles for approximately 62 sections, has been approved through the 2023/24 Annual Plan and will be started in mid-2024.

Completion of Stages 1B and Stage 2 (and further stages) is dependent on LTP budget approval. This will be part of the formal LTP consultation.

The Annual Plan consultation document outlined several risks associated with land development, including cost escalations that may influence the ability for the development to be self-funded, a market downturn which may negatively impact profits, and a delay in returns on the investment. The benefits include Council's ability to ensure the delivery of positive outcomes relating to housing, attain profits otherwise realised by developers and was a positive step towards easing the district's severe housing shortage.

Council ran a robust two-step procurement process (outlined below) for a building/development partner which resulted in the Penny Homes Limited, Tūwharetoa Settlement Trust and Classic Builders consortium being selected. Negotiations are well advanced and key commercial terms largely agreed, with final sign-off for Stages 1B & 2 being dependent on the outcome of LTP 2024-2034 consultation.

To achieve homes suitable for first home buyers, the new build cost for the land and houses has been reduced. The houses will be in keeping with the neighbourhood, look good and be built to a high quality but without the expensive extras found in market homes, such as double garages, larger land size, and multiple bathrooms. Features of the scheme plan and the proposed house types, common in other regions of New Zealand but not yet in Taupō, include:

- A range of section sizes from 77m<sup>2</sup> to 473m<sup>2</sup>, with an average size of 254m<sup>2</sup>.
- Smaller two-storey homes including terrace housing.
- Single or in some cases no garaging, although dedicated off-street parking for each dwelling will be included.

This is a new type of housing development to the Taupō market and both Council and the development partner are keen for pre-sales to start as soon as possible. The terms are favourable because of the size of the development, however before committing to further extend debt it is appropriate to consult with community via the Long-term Plan process, to achieve agreed housing outcomes. Our development partner plans to commit significant upfront investment to begin building and generate market interest which will speed up the development process and delivery of homes suitable for first home buyers.

### **Procurement Process**

In December 2022 Council advertised for Registrations of Interest for an affordable housing tender, through Tender Link. Fifteen applications were received and were evaluated by a panel of subject matter experts including advisors from Bell Gully (Legal), TwentyTwo (Property Advisors) and Studio Blewett (Urban Design). Probity assurance was provided by Simpson Grierson.

In June 2023, three of these applications were selected and applicants were asked to submit a Request for Proposal. The aim was to select one builder, or a consortium of builders, able to achieve Council's vision for the EUL (Stages 1A, and subject to LTP consultation 1B, and 2). Notably, the preferred development partner was to understand and react to the newly approved s 127 Resource Management Act 1991 application

(change to consent conditions) and demonstrate their capability and capacity to deliver up to 300 dwellings in two years. Two submissions were received.

Tenders were evaluated on a weighted attribute basis as shown in the following table.

Evaluation Criteria	Weighting
Quality of the proposed solution	35%
Capacity of the Respondent to deliver the development within the specified timeframe (i.e., three years from first lots being released), including how quickly affordable dwellings are delivered to market	10%
Pricing of the proposed solution and approach to settlement	40%
Broader Outcomes – iwi participation (in process vs outcomes for iwi)	5%
Broader Outcomes – environmental stewardship	5%
Broader Outcomes – local procurement	5%
<b>Total weightings</b>	<b>100%</b>

The highest scoring candidate was the Penny Homes Limited, Tūwharetoa Settlement Trust, Classic Builders Consortium (the Consortium). The Consortium includes two established building companies with a proven track record in both Taupō and nationally, experienced in delivering homes suitable for first home buyers, and who demonstrated a strong social conscience around delivering first home buyer homes. They demonstrated they have the capacity to deliver the development within two years of construction commencement, and from a broader outcomes perspective. Some of the highlights include:

- Iwi involvement (via Tūwharetoa Settlement Trust).
- Community sponsorship.
- Strong track record of community partnership activities.
- Nurturing sustainable relationships with local suppliers.
- Employment of apprentices to ensure that the capacity in future is not constrained.
- Consistent approach to local subcontractor sourcing and material procurement.

If Council proceeds with the development partnership approach following LTP consultation, the expected outcome will be that the neighbourhood is recognised as an exemplary development of diverse housing including a selection of first home buyer homes. Council officers entered negotiations on the basis that any sale of the sections to the Consortium would be close to or at current market value. The contract will include a requirement for at least 30% of the homes to meet the first home buyer price caps.

## NGĀ KŌRERORERO | DISCUSSION

### Scheme Plan and First Home Buyer Design

Consultants working with Council and the Consortium have created design plans. To provide a percentage of homes suitable for first home buyers, the design includes a range of section sizes from 77m<sup>2</sup> to 473m<sup>2</sup>, with an average size of 254m<sup>2</sup>. All dwellings include a dedicated carpark. Two-storey town houses, with single or in some cases no garaging, now feature in many neighbourhood designs throughout New Zealand.

### Alignment with Strategies

The following strategies recognise the lack of housing options suitable for first home buyers and how this constrains Taupō's ability to function at its full potential - enabling housing for working families is a core value:

- Taupō District Housing Strategy 2023
- Te Ihirangi – The Taupō Regional Destination Management Plan 2023
- Taupō District 2050 District Growth Management Strategy
- East Urban Land Masterplan – Residential

### Land Valuation and Commercial Negotiations

In October 2023, Council obtained an updated valuation for Stage 1 (completed lots), which came in at \$21,200,000 exclusive of GST, equating to approximately \$717m<sup>2</sup>.

Upon further valuations, the parties arrived in January 2024 at a current scheme plan based on 116 lots, and agreed a provisional sale price of the land would be at current market value, circa \$21,000,000 exclusive of GST.

Final agreement being subject to survey and land titles area.

### **Current status of preferred development partner commercial terms**

The following key commercial terms and outcomes have been agreed between officers and the Consortium, subject to Council approval:

#### **Council's obligations**

- Undertake earthworks, civil works, and all necessary regulatory approvals to deliver the infrastructure (roads, three waters, services, open spaces) and titles for the development of 116 residential sections. The work will be delivered in two stages with the first stage, Stage 1A, comprising approximately 62 sections, followed by Stage 1B, which is subject to LTP consultation.
- Based on the performance of the core requirements under this agreement, the Council has an option to explore the next stage of land (Stage 2) with the same development partner, with a development yield of 120 sections.
- Transfer of title and payment of land to include a hybrid settlement approach with some delayed settlement terms.

#### **Development partner's obligations**

- Purchase all Stage 1A and 1B completed residential sections from Council, at the agreed market price (as per valuation) with an annual pricing reset to align with Council's financial year.
- Build and sell to market approximately 116 residential homes (under Stage 1) with a portion (approximately one third) of those homes under prescribed price caps (defined as \$550,000 to \$580,000 for a 2-bedroom and \$650,000 to \$680,000 for 3-bedroom homes) and in accordance with agreed buyer eligibility criteria. The price caps are subject to an annual pricing reset (in line with section price resets).
- Provide a significant capital kickstart investment to progress commencement of the homes under prescribed price caps (defined as \$550,000 to \$580,000 for a 2-bedroom and \$650,000 to \$680,000 for 3-bedroom homes) and assist with marketing those homes.

The proposed commercial terms also have appropriate provisions to ensure delivery of agreed outcomes and management of risk – including project objectives, partnering principles, housing specifications, timeline, quality of homes, warranties, indemnity, insurance, project governance, etc.

#### **Proposed programme actions if partnership approach approved**

At present, Council have advised a high-level programme for Stage 1A, if the partnership option is approved:

- Lodgement of Subdivision and Resource Consent - ASAP.
- Progress and complete preliminary civil design for engineering approval and civil works contractor procurement.
- Commence civil works before 1 July 2024.

Under this programme, Council will have titles issued on Stage 1A comprising 62 lots by the first quarter of 2025. This programme is contingent on several workstreams and processes running in parallel and without any delays. The Consortium could then begin building the first homes near mid-2025. The first phase has a high percentage of first home buyer homes (38).



**NGĀ KŌWHIRINGA | OPTIONS****Option 1. Single Development Partner Sale Option**

This option would progress an off-market sale directly with Council's preferred development partner, in order to achieve housing outcomes. An agreement would be reached for the entirety of the 116 lots (Stage 1) and approximately 120 lots (Stage 2), with Stages 1B & 2 subject to LTP consultation, as further budget is required through the LTP to fully develop these stages.

This would enable progression of Stage 1A, which is 62 lots, which was already provided for within Council's 2023/24 Annual Plan and to inform the preferred option for Council's LTP.

This option would also confirm Council's position for the LTP consultation, and the preferred option would be proceeding with Council's preferred development partner for Stage 1B & 2, and provision for further development of Council's EUL. Under the preferred option, development of Council's EUL lands has been proposed in a financially prudent manner, which does not put any pressure on Council's rates, and limits pressure on Council's debt.

Completion of Stage 1 with Council's preferred development partner would guarantee delivery of 38 attractive, quality homes at a lower market price, which would be suitable for first home buyers. With the 38 homes, there would be an eligibility assessment process which Council would determine at a later date. The remaining homes (circa 65%) would sit outside of the Council's affordability criteria and be made available to the general market to purchase.

The agreement would include a number of key commercial terms, and negotiations have informed the assessment of this option.

The development partners would build the homes, manage the sales and marketing of completed homes. Council becomes the enabler of this development but is not the developer nor is it carrying all the typical development risk.

**Table 1:** Shows cost, revenue expectations, and debt.

EUL – Stage 1 & 2	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Cost inflated	7,646,000	2,000,000	3,223,200	3,092,280	9,830,979	8,048,980	1,442,350	-	-	-	-
Debt	4,173,346	9,646,000	3,223,200	3,092,280	-	-	-	-	-	-	-
Interest cost	216,382	471,207	172,273	211,282	136,679	-	-	-	-	-	-
Revenue expectations	-	-	7,280,000	7,462,000	6,370,000	10,640,000	10,640,000	10,640,000	-	-	-

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Guaranteed sale with a committed sale price for full market valuation, with regular pricing resets throughout the project lifecycle.</li> <li>• Capital contribution would be provided by the preferred development partner to kickstart the project and deliver first home buyer homes ASAP.</li> <li>• The preferred development partner would be responsible for building of homes, funding of homes, marketing, and branding, sales of homes to the market, and delivery of first home buyer outcomes as per the agreement.</li> <li>• Council retains control over affordability assessment criteria.</li> <li>• Ensures good urban design practices are upheld resulting in the delivery of an architecturally planned and integrated neighbourhood.</li> <li>• Proposed homes will be attractive, high quality and in keeping with the wider area.</li> <li>• Councils preferred development partner are trusted entities and completed thorough procurement process.</li> <li>• Has support from iwi including Tūwharetoa Settlement Trust partnering with the Consortium.</li> <li>• TDC maintains control over the scale and design of the development.</li> <li>• Council's preferred development partner would achieve a range of wider outcomes including local and social outcomes that have been sought by Council through the procurement process.</li> <li>• Ability to progress next actions quickly and in line with the programme of delivering first home buyer housing in 2025.</li> <li>• Caters to people, particularly first home buyers and second chancers, who can service a mortgage but are unable to save the large deposit required to purchase a market home.</li> <li>• Utilises private sector development expertise and capacity to leverage significant housing investment (approximately \$50M) which minimises Council's exposure to risk.</li> <li>• Delivery of housing outcomes which is a positive step towards easing the district's housing shortage.</li> <li>• Gives the home purchasers and their families a sense of continuity and security. Contributes to more stable, settled communities with pride in their place.</li> </ul>	<ul style="list-style-type: none"> <li>• Possible negative perception regarding market choice. No competition with other builders. Limited price competitiveness for homes options with multiple parties.</li> <li>• No ability for individuals to purchase land and build their own home.</li> <li>• Consortium will not have certainty over Stage 1B &amp; 2 until after LTP consultation.</li> <li>• The LTP preferred option requires further investment into Stage 1B &amp; 2, prior to returns being realised from Stage 1A.</li> <li>• Possible negative community perception on further development in challenging economic conditions.</li> </ul>

<ul style="list-style-type: none"> <li>Helps attract skilled workers to Taupō district.</li> </ul>	
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**Option 2. Market sales approach.**

This approach would involve selling developed sections through a competitive market process, either with or without further investment in Council’s EUL. This option could limit further investment in EUL, if just Stage 1A was sold, and would ensure no additional pressure was put on debt in the first few years of Council’s LTP. However it would also not achieve the same level of financial return for Council or the positive housing outcomes desired, recognising that some may be achieved through typology of the sections.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Able to change direction and/or adapt the project, which would not be subject to consideration of contractual commitments.</li> <li>Possible positive perception regarding market choice. Wider input from other builders and different entities.</li> <li>Delivery of the first home buyer housing component becomes flexible e.g. could be sold to a specialist entity with the expertise in alternative home ownership models and/or rentals.</li> <li>Sales values placed on individual lots to reflect development cost and margin.</li> <li>Possible for individuals to purchase land and build their own home.</li> <li>Could sell just Stage 1A, without further investment in EUL.</li> <li>Ensures no negative community perception on further development in challenging economic conditions.</li> </ul>	<ul style="list-style-type: none"> <li>A sales process will take time and may require Council to commit to a programme of delivery ahead of de-risking the project through presales.</li> <li>Potential to lose a willing development partner and/or damage relationship.</li> <li>Reduces opportunities to ensure good urban design practices are met, increasing risk that the delivery of an architecturally planned and integrated neighbourhood is not upheld.</li> <li>Limited housing outcomes would be achieved, only what has been achieved through typology.</li> <li>Possibility for land banking.</li> <li>Council would also lose control over the look and feel of the development, with possible inconsistencies in housing delivery.</li> <li>Sales of vacant sections direct to the public will incur marketing costs, and real estate agency commission costs.</li> <li>Timing of section sales are likely to be slower than the development partner approach, as there would be no capital kickstart.</li> </ul>

**Option 3. Retain the sections for possible future use and or market gains.**

This approach would involve land banking the developed sections in hope of future profits. Market judgement and uncertainty involves risk, and interest on debt will accrue during this time.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>A future higher section sale price may be achieved.</li> <li>Future opportunities remain open with ability to change direction and/or adapt the project, which would not be subject to consideration of contractual commitments.</li> <li>No further investment in EUL.</li> <li>Ensures no negative community perception on further development in challenging economic conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Does not ensure a supply of first home buyer homes or land for market, particularly in the short term.</li> <li>Is inconsistent with the objectives of the Housing Strategy.</li> <li>Uncertainty on when the market will improve incurs risk, Council rates and interest on investment will accrue during this time.</li> <li>Potential to lose a willing development partner and/or damage relationship.</li> <li>Costs to revisit the project could rise, including external advisor fees, planning, intellectual</li> </ul>

	<p>property, building costs etc.</p> <ul style="list-style-type: none"> <li>• Potential confusion from public and mana whenua regarding change of direction.</li> <li>• Maintenance and security of developed sections may be required.</li> </ul>
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### **Analysis Conclusion**

Following a detailed analysis of the three options, officers have concluded that the single development partner sale option (Option 1) has the best chance of success of delivering positive housing outcomes and financial returns to Council, in a much shorter timeframe than Options 2 or 3.

In consideration of the three options and their ability to deliver the urban design and social outcomes most effectively and efficiently from the scheme plan, the preferred option is Option 1.

## **NGĀ HĪRAUNGA | CONSIDERATIONS**

### **Ngā Aronga Pūtea | Financial and Commercial Considerations**

#### **Proposed Commercial Framework**

Negotiations with our preferred Development Partner have focused on the following key attributes: (refer Appendix 5)

- Provisional pricing for the 116 lots based on agreed market value as of January 2024.
- Initial pricing for the minimum 30% of quality homes at a lower market price (38) must be sold at the agreed values of \$550,000 (2 bedroom) and \$650,000 (3 bedroom) or less.
- Annual review of land value price (Council) and the capital value sale price (Consortium).
- Housing typology: Agreeing the mix of housing, including the first home buyer types and quantity (minimum 30%).
- Programme: Agreeing the timeframe for delivery with first home buyer housing being a priority.
- First home buyer housing eligibility: Methodology to be controlled by Council, in conjunction with the preferred development partner.

Proposed transfer of title to land and payment of land.

The Consortium proposes a hybrid 3 option settlement approach which is respective to the typology of the home as well as whether it is a first home buyer or at-market dwelling. In some cases, this may result in a delayed sale and this has been allowed for in the sales profile of the business case. Council officers do not believe market sales would be substantially faster and carries much more risk.

Agreement on these key attributes has largely been negotiated and precedes the detailed documentation phase which will be led by Council's legal advisors. The detailed agreement will address the legal technicalities and obligations based on the key commercial attributes.

#### **Long-term Plan/Annual Plan**

The expected revenue from the 116 lots is circa \$21 million, and the estimated cost of delivering the sections is \$16 million. The expenditure for Stage 1A of the development (\$7.6 million) is currently budgeted for under the 2023/24 Annual Plan. The recommended approach includes further consultation on any associated financial implications for the balance of \$8.4 million.

### **Ngā Aronga Ture | Legal Considerations**

#### **Local Government Act 2002**

The matter comes within scope of the Council's lawful powers, including satisfying the purpose statement of [Section 10](#) of the Local Government Act 2002. That section of the Act states that the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the

present and for the future. It is considered that social and economic well-beings are of relevance to this particular matter.

Authorisations as follows are required for the proposal:

- Resource Consent     Building Consent     Environmental Health  
 Liquor Licencing     Licence to occupy

Authorisations are not required from external parties.

### **Ngā Hīraunga Kaupapa Here | Policy Implications**

The proposal has been evaluated against the Long-term Plan and the Annual Plan, and the Housing Strategy. Key aspects for consideration with regards to this proposal are as follows:

- The proposal is consistent with the Long-term Plan 2021-31 priority of delivering better outcomes to address housing issues;
- The proposal is consistent with the Goals and Principles of Council's Housing Strategy; and
- The remaining expenditure required for Stages 1B/2 will be drawn down over the next financial years subject to approval in the LTP 2024-34.

### **Te Kōrero tahi ki te Māori | Māori Engagement**

Engagement with iwi and hapū over the life of the EUL Housing Area project includes hui with Tūwharetoa Settlement Trust, Te Kotahitanga o Ngāti Tūwharetoa, Tūwharetoa Health, Tūwharetoa Māori Trust Board, Te Korowai Roopu Taitoko and Te Pae o Waimahia to talk about and share plans for housing on the EUL. This has included urban design workshops and general conversations sharing Council's aspirations to provide quality homes suitable for first home buyers and working families. Numerous and ongoing hui continues with mana whenua including hapū representatives from Ngāti Tutemohuta and Ngāti Hineuru.

Conversations were also had with Hikuwai hapū in June 2022 where Policy officers spoke about the East Urban Lands development as part of the overall housing strategy conversation, reiterating the opportunity for hapū to engage with Council regarding the EUL kaupapa going forward.

### **Ngā Tūraru | Risks**

There is some risk in selecting the Consortium as Council's preferred development partner, including the perception of a predetermined outcome with other developers and the community. However, officers believe due diligence has been undertaken on our approach and the procurement process to reduce this risk, by ensuring all parties are aware that that any agreement is subject to Council approval, including formal consultation in the 2024-34 draft Long-term Plan process.

There is financial risk in approving the proposal, including section sales and market condition risks putting pressure on Council's finances longer than anticipated. Nevertheless, there is a degree of confidence that there will be a market for homes at this price point. There are other opportunities for Council to potentially receive a greater return on investment including if Council decided to wait until the housing market is at a peak before releasing the sections. This will be explored during LTP consultation. Should a financial return be the core focus after LTP consultation, Council would be unlikely to achieve the strategic goals outlined in the Housing Strategy (more supply availability and choice of housing suitable for first home buyers to meet demand across the district).

There may be a perception of reducing the competition in the market by enabling one Consortium to develop this land parcel, however the proposal includes multiple partners which is anticipated to provide diversified products to the local construction market. The Consortium bring expertise and experience to the partnership, has an extensive local subcontractor network in the Taupō rohe and contribute circa \$50 million per annum to the local economy. Furthermore, a fair and transparent two-part procurement process was run over an extended period, during which the Consortium scored significantly higher than other tenders on a weighted attribute scale. Simpson Grierson provided probity assurance throughout the procurement process.

The financial modelling presented in this paper may be subject to further change as a result of the audit process. If any adjustments are required as a result of that audit there will be an opportunity for Council to discuss them before adopting the Long-term Plan Consultation Document on 31 May 2024.

RISK	MITIGATION	RANKING (R, A, G)
Community perception during a time of financial pressure.	Council sells sections at market value, while achieving positive outcomes sought by community.  Work closely with Comms team through LTP consultation to tell the story.	
Risks associated with development business.	Project supported by external professionals including expertise brought by the Consortium.  Consortium carries the risk of building, marketing, and selling homes.  Earthworks on Stage 1 complete, alleviating unforeseen ground condition risk.  Agreed up front section price, with an annual review of land value (Council) and the capital value sale price (Consortium)	
Section sales slow pressuring finances longer than forecast.	Initial capital investment would assist in the marketing of these sections. Anticipate market interest at this price point.	
Relationship with Consortium.	Develop a collaborative partnering approach supported by solid contractual agreement.	
Perception that other builders / developers are locked out of market.	Sections available in both Neil Group and Ngā Roto developments, with further stages to come in both developments.	
Upfront debt pressure in early LTP years.	Debt has been undertaken in relation to the Annual Plan budget but is being funded from the Strategic Property Reserve (not rates). Further development would increase debt but forecast returns are also high which reduces debt from year 2 and ends up with the project being self-funding (no debt impact after year 5). Council's debt at the beginning of the draft LTP is currently being modelled at lower levels than the latter years.	
Perception of predetermined outcome within building and development community.	All parties are aware that that any agreement is subject to Council approval, including formal LTP consultation in the 2024-34.  Fair and transparent procurement process followed, including probity assurance by Simpson Grierson.	
Perception of reduced competition in the construction market	Proposal includes multiple partners, including an extensive local subcontractor network within Taupō.	

### TE HIRANGA O TE WHAKATAU, TE TONO RĀNEI | SIGNIFICANCE OF THE DECISION OR PROPOSAL

Council's Significance and Engagement Policy identifies matters to be taken into account when assessing the degree of significance of proposals and decisions.

Officers have undertaken an assessment of the matters in the [Significance and Engagement Policy \(2022\)](#), and are of the opinion that the proposal under consideration is significant.

**TE KŌRERO TAHI | ENGAGEMENT**

Taking into consideration the above assessment, that the decision is of a high degree of significance, officers are of the opinion that the direction for EUL development, including delivery of first home buyer outcomes, should be subject to community consultation.

**TE WHAKAWHITI KŌRERO PĀPAHO | COMMUNICATION/MEDIA**

Direct communication has been/will be carried out with affected parties/key stakeholders and wider communication will be carried out with the community.

**WHAKAKAPINGA | CONCLUSION**

Council has given officers clear direction that it wishes to take action to address the district's housing shortage and this project represents an important step towards the goal of providing attractive, high-quality homes, in keeping with the look of the area at a price point for working families and first home buyers.

There is limited to no scope for Council to ensure the timely delivery of first home buyer housing from Options 2 or 3, and Council is better positioned to achieve broader outcomes of local social and economic impact, iwi participation, and environmental wellbeing outcomes with Option 1. Although there could be potential for greater economic returns in the future, this would be misaligned with the Housing Strategy objectives and the LTP 2021–2031 directive.

Council has the opportunity now to capture significant land value rise by selling developed lots (that would otherwise be realised by a developer) and partnering with a builder who is committed to delivering a high-quality design that incorporates homes suitable for first home buyers and positive outcomes. Option 1 will assist in addressing the local issue of affordability and limited housing stock to positively impact the community and economic growth in the district from 2025.

**NGĀ TĀPIRIHANGA | ATTACHMENTS**

Nil