

Funding to complete the Mangawhai Community Housing Project

Meeting: Kaipara District Council
Date of meeting: 26 February 2025
Reporting officer: Bryan Hagan, Manager Project Delivery,
Samantha McKeown, Project Manager Business Delivery,
Glynis McCarthy, Manager Community Services

Purpose | Ngā whāinga

To seek approval to use additional funding available from the District Leadership Depreciation Reserves to complete the implementation of the Mangawhai Community Housing Project at Fagan Place.

Executive summary | Whakarāpopototanga

Council must ensure housing at Fagan Place meets the Residential Tenancies (Healthy Homes Standard) Regulations. Council directed staff to explore options for optimising the use of the Fagan Place site, leading to a proposal to replace the existing pensioner housing with new transportable, compliant 1-bedroom units by 1 July 2025.

An external consultant was engaged for procurement advice due to the project's high public interest and risk. Over the course of several meetings, Council discussed and approved the contract for 16 units with decks and ramps for \$2,440,000 plus GST. In September 2024, staff presented an indicative site plan and implementation options within the \$3,020,000 available budget.

At the February 2025 briefing, staff presented on the omission of key considerations during implementation scoping; including consents, site complexities, Healthy Homes Standards and unit delivery timeframes, health and safety requirements, procurement approach limitations, and estimated project costs.

Staff sought pricing information from four contractors, with only one providing actual pricing. This pricing is indicative and will be finalised through contract negotiations, staying within the independent quantity surveyor's estimates. Completion of the project will see Council's pensioner tenants provided with new, Healthy Homes Standards compliant housing and provide for more opportunity regarding the use of the available land at Fagan Place.

The District Leadership Depreciation Reserves has a balance of \$3.2m on 30 June 2024, and is to be used for Information technology, Council vehicles and Council property replacements where possible and when needed. Finance staff are satisfied there are sufficient funds to cover the additional \$1.2m funding needed to complete this project so it is recommended the additional funding be utilised from these reserves.

It is noted that the demolition of current pensioner housing will be a separate project as part of the 25/26 Annual Plan.

Recommendation | Ngā tūtohunga

That the Kaipara District Council:

- a) Approves the use of up to \$1.2m from District Leadership Depreciation Reserves, to complete the Mangawhai Community Housing Project at Fagan Place.
- b) Delegates authority to the Chief Executive to finalise and execute a contract following negotiations with a main contractor.

Context | Horopaki

Council is required to provide housing that meets the Residential Tenancies (Healthy Homes Standard) Regulations 2019 and the Residential Tenancies (Healthy Homes Standard) Amendment Regulations 2022. The housing stock at Fagan Place in Mangawhai is in below average/poor condition and does not meet those standards. The pensioner units are required to meet the Standard by 1 July 2025 if they continue to be tenanted at that time. Council will be liable for significant fines and reputational risk if the units remain rented beyond 1 July 2025 in their existing condition.

At the Council briefing in May 2022, following failed negotiations with a Community Housing Provider to purchase the units from KDC, Council gave direction for staff to investigate placing more units (on a reduced footprint) to better optimise land availability of Fagan Place, which has been identified as a high-value, strategic property. Furthermore, Council requested staff continue to develop project plans and costings to upgrade and refurbish the units and that these costs be included in future Annual Plans.

Following a series of meetings, elected members provided the direction that they did not want to commit expenditure for the refurbishment of the existing units or upgrades. Estimates at the time to upgrade existing homes was approximately \$181k per unit, however it was noted that due to the age of the buildings, ongoing maintenance and further investments to upgrade in the future would far exceed that figure. Elected Members provided the direction that they wished to provide new compliant transportable housing units for all remaining tenants by the healthy home standard deadline of 30 June 2025.

At the July 2023 meeting, elected members approved the investigation of options for up to 16 new transportable healthy home regulation compliant 1-bedroom units, to replace the existing pensioner housing at Fagan Place, with options brought back to a Council Workshop.

At the September 2023 workshop, staff provided procurement options, draft specifications and identification of potential suppliers and solutions they may have to meet Council's needs. Council approved the Procurement Plan and draft specifications.

At the December 2023 workshop, staff provided an update on its procurement strategy, including the proposed weighting of evaluation criteria. This approach was deemed appropriate for facilitating the desired outcomes, balancing all criteria that need to be considered as part of the procurement, and does not solely select suppliers on price.

Due to the high public interest and high-risk profile of the project, staff engaged Frank Aldridge from the Integral Group (TIGL) to consult on the procurement approach and was introduced to elected members. A series of meetings followed that provided direction from elected members to further investigate unit sizes, decks and costs. Staff provided recommendations on suppliers of the modular homes, unit sizes and associated decks. At the June 2024 meeting, staff sought Council approval for awarding the contract for the supply of 16 transportable one-bedroom units with 24 m² of decks and ramps for the sum of \$2,440,000 plus GST to Laminata.

At the September 2024 meeting, staff presented an indicative site plan for the unit arrangement on site and typical unit layout for the Mangawhai Community Housing. Indicative and provisional sum pricing was presented to Council as part of the September report and noted to be to the sum of \$2,966,328 (excluding GST) and within the \$3,020,000 budget included within the LTP (\$1.52 million in 2023/24 financial year which has been carried forward into 2024/25 and a further \$1.5 million has been included in the LTP budget for 2024/25 year).

At the February 2025 briefing, staff presented information noting that through the handover process of this project, Project Delivery staff identified on-site installation items that had not been scoped or approved during the procurement process. This has presented limitations on fully understanding of the scale of the project and budget required to achieve the upgrades to the housing development. Key items presented at this briefing included;

- Resource and building consents and compliance requirements
- Site complexities and a reduction of units
- Healthy Homes Standards and extension of time avenues
- On site health and safety requirements

- Procurement approach limitations
- Required programme of work efficiencies
- Early contractor involvement approach
- Estimated project costs (based on QS estimates and contractor quotes)

Discussion | Ngā kōrerorero

Staff have sought pricing from four main contractors using a closed but competitive procurement approach. These contractors were selected based on their proven track records in delivering projects of a similar scope.

Of the three contractors that indicated their availability and capacity to meet the tight delivery timeline, only one provided pricing for the project. As the development of “for construction” plans are still under way, and the programme and methodology for the project are yet to be developed, the pricing provided based on the level of detail provided to contractors may change and are to be treated as indicative only at this stage. This pricing will be finalised through contract negotiations and a full understanding of the project scope through further development of the plans.

Pricing provided by the only main contractor to submit is still within the estimates provided by the independent quantity surveyor.

16195 (15000) Mangawhai Community Housing							
Purchase Order	Supplier	Budget - TBC	Total Value	Spend to date	Remaining Value	Status	PO Description
117531	Griffiths and Associates Ltd		\$ 6,636.91	\$6,636.91	\$ -	Finalised	Mangawhai Community Housing - Scope of Works
117807	Griffiths and Associates Ltd		\$ 21,300.00	\$17,651.49	\$ 3,648.51	Open	Mangawhai Community Housing - Scope of Works
124123	Hawthorn Geddes Engineers & Architects Ltd		\$ 10,805.01	\$10,805.01	\$ -	Finalised	Reticulation Services
est	Hawthorn Geddes Engineers & Architects Ltd		\$ 100,000.00	\$87,067.55	\$ 12,932.45		New work design,
124182	The Integral Group Ltd		\$ 3,260.01	\$3,260.01	\$ -	Finalised	Debriefs for Transportable Homes
est	Projectus QS		\$ 49,000.00		\$ 49,000.00		
actual	Laminata Homes 45.7% (PAID) \$940,610.90		\$ 940,610.90	\$940,610.90			
actual	Laminata Homes 24.3%		\$ 499,699.53		\$ 499,699.53		
actual	Laminata Homes 25%		\$ 514,396.58		\$ 514,396.58		
actual	Laminata Homes 5%		\$ 102,879.32		\$ 102,879.32		
Total less GST (x16)	\$2,351,527				\$ -		
Total less GST (x14)	New contract amount \$146,970.45 per unit = \$2,057,586.33 (new contract sum)	\$ 2,057,586.33			\$ -		
Tender	Main Contractor - 14 units		\$ 1,297,262.28		\$ 1,297,262.28	\$103,708.76	Onsite cost per unit
	Eci Contractor contingency removed - \$147,800				\$ -		
\$ TBC	Consenting fees (est)		\$ 12,000.00	\$7,832.17	\$ 4,167.83	\$146,970.45	Offsite build cost per unit - Note: PC sums tbc
\$ TBC	Internal charges (est)		\$ 30,000.00	\$22,731.00	\$ 7,269.00		
	Lands & Surveys		\$ 4,680.00	\$4,680.00			
	Pacific coast surveys		\$ 2,475.00	\$2,475.00			
	Drainage diversion / CCTV (under way)		\$ 26,264.00		\$ 26,264.00		
	Tree clearing (Done)		\$ 5,899.50	\$5,899.50			
actual	Northpower upgrade fee		\$ 78,270.69		\$ 78,270.69		
\$ TBC	Demo - removal of existing unit between (8 & 9)		\$ 35,000.00		\$ 35,000.00		M/2 rate for demolition \$319 / m/2
\$ TBC	Landscaping (Free planting & labour) 1800 plants		\$0		\$ -		
\$ TBC	Storage Laminata TBC?		\$0		\$ -		
	Additional funding - Pen housing: General maint \$100k, Insulation & Heat \$53k	153,000.00			\$ -		
	KDC contingency 15% Contractor contingency removed		\$ 555,254.67		\$ 555,254.67		
16195		3,010,000.00					
Totals		\$3,163,000.00	\$ 4,256,952.48	\$ 1,109,649.54	\$ 3,186,044.86		
	Remaining available / Deficit		\$-1,093,952.48				
	Projected additional funding requirement		\$-1,093,952.48				

Options

Option 1: Approve the allocation of funding of up to \$1.2m (\$1,093,952.48 projected costs + \$106,047.52 additional contingency) from the District Leadership Depreciation Reserves.

This will enable the community housing project to continue to completion providing warm, dry homes for our pensioner tenants ensuring Council comply with the Healthy Home Standards. Landlords who don't meet their obligations under the Healthy Homes Standards are in breach of the Residential Tenancies Act 1986 and may face consequences, like financial penalties.

This is the recommended option.

Option 2: Decide not to complete the community housing project requiring no additional funding.

There are financial implications of not completing the project. A contract has been signed with Laminata and a large portion of the cost paid (\$940,611) to provide 14 transportable, modular homes, 7 of which are nearing completion. Costs have been incurred for site design work, consenting, sewer diversion and site clearance (total (\$198,563). Council would be unable to recoup these costs.

This option is not recommended.

Financial implications

Not completing the project carries significant financial implications. A contract has been signed with Laminata, and a substantial portion of the cost has been paid. Additionally, costs have been incurred for site design and site work. Council would be unable to recover these expenses.

Risks and mitigations

Risks:

1. **Financial Loss:** The significant amount already paid to Laminata and costs incurred for site design, consenting, sewer diversion, and site clearance will be lost if the project is not completed.
2. **Legal and Contractual Issues:** Breaking the contract with Laminata might result in legal repercussions.
3. **Healthy Homes Standards:** By not completing the project, Council will fail to meet their obligations under the Healthy Homes Standards and be in breach of the Residential Tenancies Act 1986 and may face consequences, like financial penalties.
4. **Reputational Damage:** Failing to complete the project could harm the Council's reputation and public trust, especially among the residents and stakeholders involved.

Mitigations

1. **Seek Additional Funding:** Explore alternative funding sources or budget reallocation to ensure the project's completion and minimise financial loss.
2. **Transparent Communication:** Maintain open and honest communication with the public, stakeholders, and media to manage expectations and minimise reputational damage.

Significance and engagement | Hirahira me ngā whakapāpā

The decisions or matters of this report are considered to have a low degree of significance in accordance with Council's Significance and Engagement Policy. No feedback is required, and the public will be informed of Council's decision via the agenda and minutes publication of this meeting, on the website and through other channels if appropriate.

Next steps | E whaiake nei

Council have committed to the purchase of the units from Laminata, 7 of which are nearing completion.

Resource consent has been granted. Building consent is in progress and site preparation work has commenced. Given the spend and progress made to date and the need to provide Healthy Home Standard compliant homes, it is recommended that Council continue the project.

The District Leadership Depreciation Reserves has a balance of \$3.2m on 30 June 2024, and is to be used for Information technology, Council vehicles and Council property replacements where possible. Finance staff are satisfied there are sufficient funds to cover the additional \$1.2m funding needed so it is recommended the additional funding be utilised from these reserves.

The demolition of the existing houses is a separate project and budget which will approved through the Annual Plan process.