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The purpose of this report is to advise the progress on the Beckenham Housing Project.

BACKGROUND

The opportunity to enter into a relationship with the Beckenham Baptist Church was first presented to the Housing Working Party in February 1998. The Beckenham Baptist Church, which owns a block of land of approximately 1,800m² in Beckenham, bounded by Colombo and Percival Streets, wished to develop and manage on it affordable shelter housing for the marginalised members of the community.

They approached the Council to explore partnership opportunities and throughout 1998 and this year negotiations have been conducted with them in consultation with the Housing Working Party. The Council and Church have finally reached and recorded an arrangement whereby the Church provides the land to the Council under a lease at a peppercorn rental. The Council shall construct upon this land a maximum of 12 housing units within a prescribed budget. The Church shall additionally contribute a budgeted sum towards chattels and site works.

Upon practical completion a Trust, to be established by the Church, shall be appointed to manage “the community housing facility”.

The documents briefly outlined below record these arrangements.

CONTRACTUAL ARRANGEMENTS

The Heads of Agreement document and Annexed Contracts have been finalised generally in accordance with the Terms and Conditions reported to Council in March and the resolutions passed at that time have been satisfied, particularly in respect of ensuring this “quasi partnership/joint venture” does not comprise any elements that could result in it being construed as the establishment of a LATE structure.

The documentation comprises a Heads of Agreement with attached contracts for implementation at a future date. The Heads of Agreement sets out the broad terms and conditions of the arrangements between the trust (The Beckenham Community Housing Trust) and the Council. Essentially these are :

- The trust will lease their land to the Council who will construct a community housing facility for marginalised members of the community
- The agreement provides for a maximum of 12 housing units on the land

- The appointment of the trust as manager of the community housing facility upon completion
- The respective capital contributions of the parties are defined
- Naming rights are to be agreed between the parties prior to completion
- There is a clause in respect of relationships, which clarifies that this is not a LATE structure
- General issues such as assignment, disputes, special conditions and trustees limitation are also covered

Annexed to the Heads of Agreement is a Memorandum of Lease providing for the lease of the land from the trust to the Council. This is in a relatively standard lease format providing for a 50-year term at a rental of \$1.

The final annexed document is a property management agreement that serves to formalise the appointment of the trust as the Council's contract manager for the complex. This agreement runs co-terminus with the lease. It provides for the trust to carry out all normal property management (real estate) functions, ie the letting, maintenance, payment of property expenditure and financial management. In addition, the trust shall provide a higher than normal level of social services to the tenants.

The manager's remuneration is a base fee of 9% of gross revenue plus an incentive management fee. The priority calls on revenue are listed in order below:

- Operating expenses
- Management fee
- 1.5% capital return to the Council
- 1.5% capital return to the Church
- Incentive management fee to the Church – maximum 13%

CONSTRUCTION

In respect of the process for physical construction of the housing complex, we are at the stage where tenders have just closed for the construction contract and the results of this will be reported for decision to the Property and Projects Committee in October. The resource consent has been submitted and the design team is currently working through associated issues with Council's planners. Subject to obtaining the resource consent we are hopeful of a construction start date in November, which would provide for a practical completion date estimated for April/May 2000.

CONCLUSION

It has taken some time to carefully plan and consider both the contractual structure and practical construction details for this groundbreaking project. However, the project is now proceeding well and the establishment of a sound foundation should continue to see it develop smoothly and quickly from here.

Chairman's

Recommendation: That the information be received.