

TE AHO TĀHUHU

the Progressive Home Ownership Webinar Series

Financial Modelling

Nigel Hewitson, Te Tūāpapa Kura Kāinga

Progressive Home Ownership (Alpha) Models

Rent to Buy

Whānau
Affordability

Development
Feasibility

Shared Equity

Whānau
Affordability

Development
Feasibility

Leasehold

Whānau
Affordability

Development
Feasibility

AFFORDABILITY:
Whānau Income & Expenditure, Potential Savings p.a.

	Salary (Before Tax)	Kiwisaver Contribution
<i>Person 1</i>	\$85,000	3%
<i>Person 2</i>	\$15,000	0%
<i>Person 3</i>	\$0	0%
<i>Person 4</i>	\$0	0%

Also an Eligibility check re:

- Age (over 18?)
- Already own a home?
- Total Household Income <\$130,000

Income	Per Week
Weekly Income (after tax and kiwisaver)	\$1,478
Other Income	\$0
Total Income	\$1,478
Household Expenses	Per Week
Food and Groceries	\$350
Rent	\$0
Mortgage	\$448
Passenger Transport	\$27
Gas/Electricity	\$50
Telephone/mobile/internet services	\$36
Clothing and footwear	\$100
Rates	\$62
House/content insurance	\$29
Property maintenance	\$48
Private vehicle costs	\$88
Vehicle Insurance	\$15
Medical Insurance	\$40
Health/medical expenses	\$47
Life Insurance	\$28
Insurance other and combinations	\$41
Childcare	\$0
Additional loans/hire purchase	\$0
Other (please specify)	\$0
Other (please specify)	\$0
Total Household Expenses	\$1,409
Surplus (per week)	\$68
Potential Household/Whānau Savings (p.a.)	\$3,536

AFFORDABILITY:

Shared Equity Model - % Share & Whānau Finances

Dwelling Purchase Price and Ownership Structure at Year 1

a. Property Purchase Price (including GST, if any)		\$650,000
b. Household/Whānau Share of dwelling at Year 1	55%	\$357,500
c. Provider Share of dwelling at Year 1 (must be no more than 45%)	45%	\$292,500

Whānau/Household Finances

a. Deposit	\$0
b. Kiwisaver Funds	\$20,000
c. HomeStart Grant	\$20,000
d. Other	\$5,000
Subtotal	\$45,000
Total Third Party Lending Required by the Household	\$312,500

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Mortgage Calculator:

Select Term and interest rate

On these assumptions:

Annual: \$23,313.39

Weekly: \$448.33

6. Household/Whānau Mortgage Calculator

Enter a test interest rate and loan term below to calculate the Household/Whānau Mortgage Repayments

Total Lending	\$312,500		
LVR	87%		
Test Interest Rate	6.25%		
Years	30		
Year	Interest & Principal	Loan Balance	Principal repaid
1	(23,313.39)	\$308,717.86	\$3,782.14
2	(23,313.39)	\$304,699.34	\$7,800.66
3	(23,313.39)	\$300,429.67	\$12,070.33
4	(23,313.39)	\$295,893.13	\$16,606.87
5	(23,313.39)	\$291,073.07	\$21,426.93
6	(23,313.39)	\$285,951.75	\$26,548.25
7	(23,313.39)	\$280,510.35	\$31,989.65
8	(23,313.39)	\$274,728.86	\$37,771.14
9	(23,313.39)	\$268,586.02	\$43,913.98
10	(23,313.39)	\$262,059.26	\$50,440.74
11	(23,313.39)	\$255,124.58	\$57,375.42
12	(23,313.39)	\$247,756.48	\$64,743.52
13	(23,313.39)	\$239,927.87	\$72,572.13
14	(23,313.39)	\$231,609.98	\$80,890.02
15	(23,313.39)	\$222,772.22	\$89,727.78

Whānau Income & Expenditure – Shared Equity model

	Salary (Before Tax)	Kiwisaver Contribution
Person 1	\$85,000	3%
Person 2	\$15,000	0%
Person 3	\$0	0%
Person 4	\$0	0%

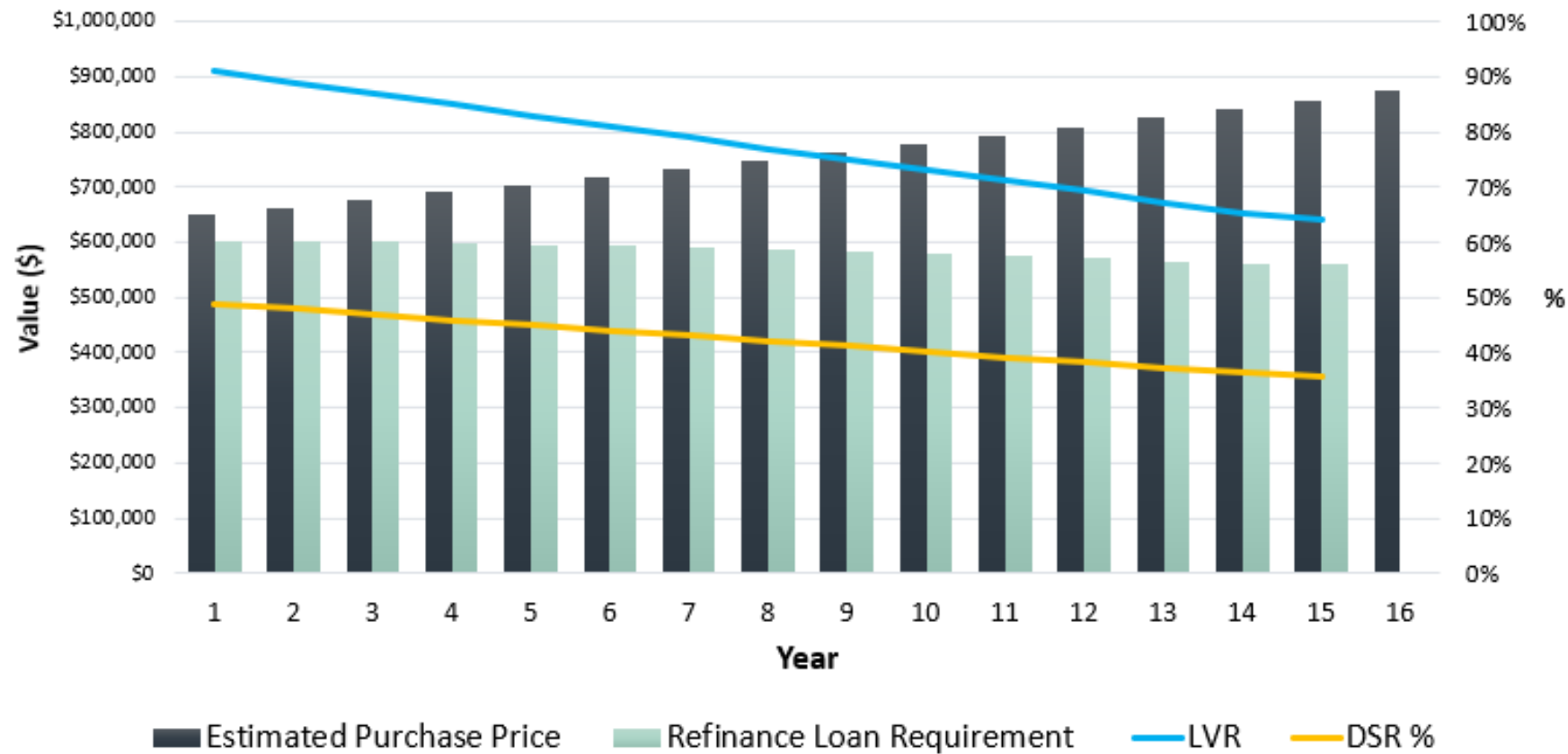
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15 Year Model – CPI and House price growth assumptions, plus market rent for equivalent home.

	Start of Y1 Time of Application	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7	End of Year 8	End of Year 9	End of Year 10	End of Year 11	End of Year 12	End of Year 13	End of Year 14	End of Year 15	
1. Ownership and Capital Gain																	
a. House Price Inflation																	
Estimated Purchase Price		\$650,000	\$663,000	\$676,260	\$689,785	\$703,581	\$717,653	\$732,006	\$746,646	\$761,579	\$776,810	\$792,346	\$808,193	\$824,357	\$840,844	\$857,661	\$874,814
Provider ownership share (%)	45%	\$292,500	\$298,350	\$304,317	\$310,403	\$316,611	\$322,944	\$329,403	\$335,991	\$342,710	\$349,565	\$356,556	\$363,687	\$370,961	\$378,380	\$385,948	\$393,666
Cumulative Provider Capital Gain Share (\$)	\$0	\$5,850	\$11,817	\$17,903	\$24,111	\$30,444	\$36,903	\$43,491	\$50,210	\$57,065	\$64,056	\$71,187	\$78,461	\$85,880	\$93,448	\$95,316	
Household/Whānau ownership share (%)	55%	\$357,500	\$364,650	\$371,943	\$379,382	\$386,969	\$394,709	\$402,603	\$410,655	\$418,868	\$427,246	\$435,791	\$444,506	\$453,396	\$462,464	\$471,714	\$481,148
Cumulative Household/Whānau Capital Gain Share (\$)	\$0	\$7,150	\$14,443	\$21,882	\$29,469	\$37,209	\$45,103	\$53,155	\$61,368	\$69,746	\$78,291	\$87,006	\$95,896	\$104,964	\$114,214	\$116,498	
2. Household/Whānau Refinancing Ability																	
b. CPI Inflation																	
Total Household/Whānau Equity for Refinancing (\$)	\$45,000	\$59,547	\$74,547	\$90,016	\$105,977	\$122,450	\$139,457	\$157,022	\$175,169	\$193,925	\$213,318	\$233,375	\$254,129	\$275,610	\$297,854	\$313,747	
Refinance Loan Requirement (\$)	\$605,000	\$603,453	\$601,713	\$599,769	\$597,604	\$595,203	\$592,548	\$589,624	\$586,409	\$582,885	\$579,029	\$574,818	\$570,228	\$565,234	\$559,807	\$561,068	
Deposit (\$)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Home Start Grant (\$)	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	
Other Grants (\$)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	
Kiwi Saver (\$)	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	
Cumulative Household/Whānau Personal Savings (\$)	\$0	\$3,615	\$7,303	\$11,064	\$14,901	\$18,814	\$22,806	\$26,877	\$31,030	\$35,266	\$39,587	\$43,994	\$48,489	\$53,074	\$57,751	\$62,521	
Repaid Principal on Initial Household/Whānau Loan (\$)	\$0	\$3,782	\$7,801	\$12,070	\$16,607	\$21,427	\$26,548	\$31,990	\$37,771	\$43,914	\$50,441	\$57,375	\$64,744	\$72,572	\$80,890	\$89,728	
3. Household/Whānau Income and Expenses																	
Household Income (\$)	\$100,000	\$102,000	\$104,040	\$106,121	\$108,243	\$110,408	\$112,616	\$114,869	\$117,166	\$119,509	\$121,899	\$124,337	\$126,824	\$129,361	\$131,948	\$134,587	
Principal & Interest Repayment on Refinance Loan Amount (\$)	\$45,135	\$45,019	\$44,890	\$44,744	\$44,583	\$44,404	\$44,206	\$43,988	\$43,748	\$43,485	\$43,197	\$42,883	\$42,541	\$42,168	\$41,763	\$41,857	
Rates, Insurance per annum (\$)	\$4,732	\$4,827	\$4,923	\$5,022	\$5,122	\$5,225	\$5,329	\$5,436	\$5,544	\$5,655	\$5,768	\$5,884	\$6,001	\$6,121	\$6,244	\$6,369	
4. Affordability Benchmarks																	
c. Market Equivalent Rent																	
Weekly household outgoings (rates, insurance, mortgage) (\$/week)	\$959	\$959	\$958	\$957	\$956	\$954	\$953	\$950	\$948	\$945	\$942	\$938	\$933	\$929	\$923	\$927	
Market Equivalent Rent (\$/week)	\$500	\$510	\$520	\$531	\$541	\$552	\$563	\$574	\$586	\$598	\$609	\$622	\$634	\$647	\$660	\$673	
Difference	(\$459)	(\$449)	(\$438)	(\$426)	(\$415)	(\$402)	(\$390)	(\$376)	(\$362)	(\$347)	(\$332)	(\$316)	(\$299)	(\$282)	(\$263)	(\$254)	
Loan to value % (LVR)	93%	91%	89%	87%	85%	83%	81%	79%	77%	75%	73%	71%	69%	67%	65%	64%	
Debt servicing % (DSR)	50%	49%	48%	47%	46%	45%	44%	43%	42%	41%	40%	39%	38%	37%	36%	36%	

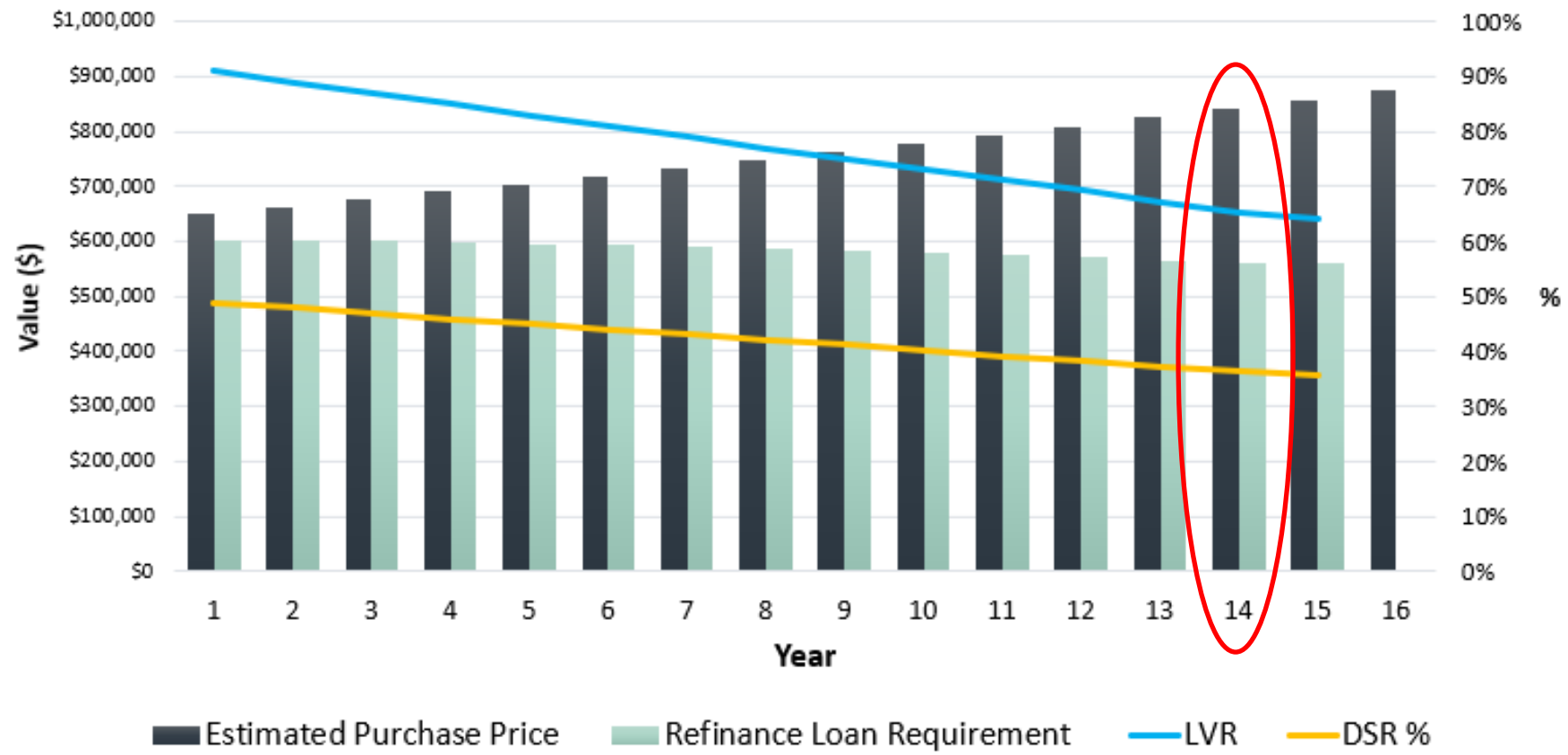
Year	0	7	14
Value of Home	\$ 650,000	\$ 746,646	\$ 857,661
Value of Provider share (45%)	\$ 292,500	\$ 335,991	\$ 385,948
Value of Whānau share (55%)	\$ 357,500	\$ 410,655	\$ 471,714
Value of Whānau equity	\$ 45,000	\$ 157,022	\$ 297,854
Household income	\$ 100,000	\$ 114,869	\$ 131,948
Weekly housing costs on refinance (\$587 current)	\$ 959	\$ 950	\$ 923
Market rent for same home	\$ 500	\$ 574	\$ 660
Difference	-\$ 459	-\$ 376	-\$ 263
LVR% - target <80% down to 70% (value of household equity)	93%	79%	65%
DSR % - target 30% (debt/gross income)	50%	43%	36%

Full Purchase - Purchase Price, Loan Requirement, LVR %, DSR %



Full Purchase
 Earliest point at which
 full purchase is possible
NOT POSSIBLE

Full Purchase - Purchase Price, Loan Requirement, LVR %, DSR %



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 Earliest point at which
 full purchase is possible
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OTHER AFFORDABILITY (ALPHA) MODELS

RENT TO BUY and LEASEHOLD

Whānau Income & Expenditure, Potential Savings p.a.

	Salary (Before Tax)	Kiwisaver Contribution
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Rent to Buy

Rent to Buy - Rental Calculation

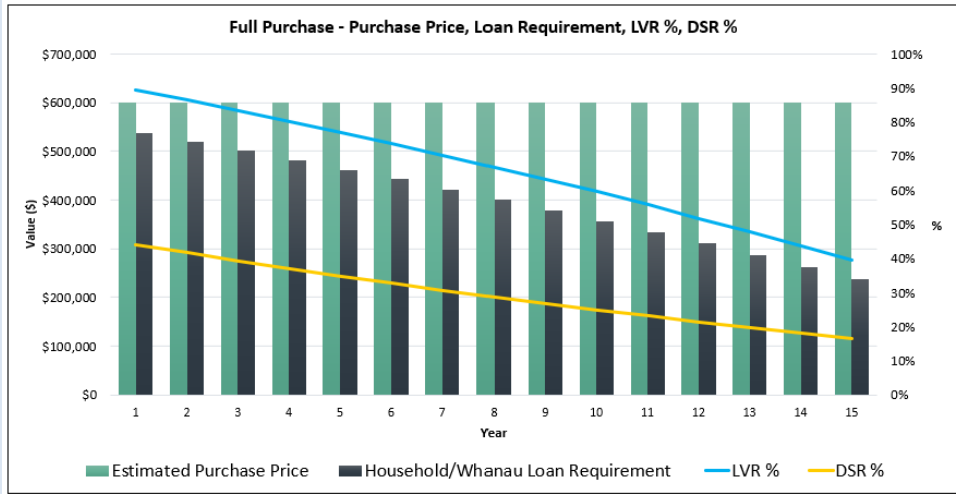
Household Market Rent (weekly)	\$450
Household Rent to Buy (Annual)	\$23,400
Rent to Buy Breakdown	
Management Fee	\$28
Rates	\$60
Insurance	\$39
Maintenance	\$56
Grounds keeping	\$10
Total Fees deducted by Provider	\$193
Provider Loan Repayment	\$100
Net Surplus for Equity Saving	\$157
Annual Contribution to Equity Share	\$8,164

Leasehold

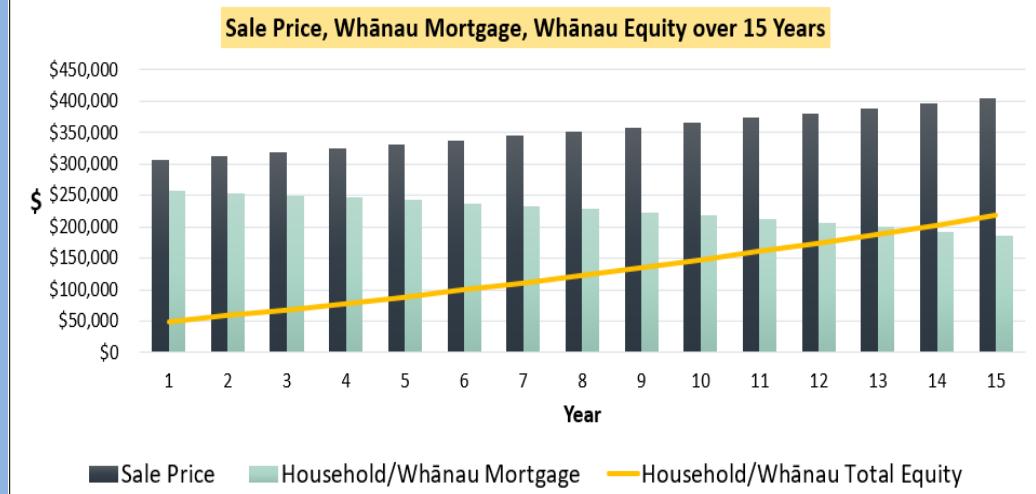
Dwelling Purchase Price and Ownership Structure at Year 1

a. Total Property Value		\$650,000
b. Improvement Value (Household/Whānau Share)	50%	\$325,000
c. Land Value (Provider Share)	50%	\$325,000
d. Ground Rental per annum	1.5%	\$4,875
e. Ground Rental per week		\$94

Rent to Buy



Leasehold



FEASIBILITY MODELLING – Common Features



High Level Inputs & Preliminary Feasibility Budget (from Shared Equity Model)

Is this a provider led development or a developer led development? (Select from the drop down)

Provider Led

Please fill out the green shaded boxes below:

1. Project Costs and Revenues

What is the cost of the land, or Market Value if it's already owned?

\$1,000,000

What are the costs associated with acquiring the land? (e.g. legal, valuation, LIM)

\$5,000

How many dwellings will be built and sold?

15

What is the average size of the expected dwellings in square metres?

120

What do you expect the purchase price of the dwellings will be on completion?

\$650,000

What share of the dwellings will be purchased by households/Whānau at completion?

55%

What is the likely cost per square metre?

\$3,000

What is the estimated cost to excavate, develop the site and connect services?

\$300,000

What are development/financial contributions per new lot? (talk to your local Council)

\$15,000

Provide an estimate of the cost of professional fees (10-15% of construction cost)

10%

Adopt a contingency % (Typically 10-20% of construction & civils cost)

15%

How long will planning and site development take? (Months)

6

How long will construction take? (Months)

12

How long will it take to sell the dwellings? (Months)

3

If a developer is undertaking the development, what level of profit would they expect to receive? (% of outlay)

0%

2. Project Funding

What share of the dwelling sale price would you be seeking PHO funding for?

45%

(The above should not exceed 45%, and should equate to 100% when combined with the Household Share Above)

Do you have any other sources of funding, if so, please specify and quantify below:

Equity in land to be developed

\$320,000

Specify Source 2

\$200,000

Specify Source 3

\$200,000

Specify Source 4

\$200,000

Preliminary Feasibility Budget

Project Costs

Estimated Land Cost

Land Price \$1,000,000

Acquisition Costs \$5,000

Total Land Cost \$1,005,000

Estimated Construction Cost

\$5,400,000

Estimated Development Costs

Development Costs \$510,000

Professional Fees \$570,000

Contingency \$855,000

Interest on Land** \$83,913

Interest on Construction & Development Costs *** \$449,269

Total Project Cost \$8,873,181

Total Revenue

Sales Revenue from Households \$5,362,500

Less GST \$1,271,739

Less legal costs of sale* \$22,500

Net Revenue \$4,068,261

Plus PHO Loan \$4,387,500

Project Surplus/Deficit at Completion -5% -\$417,420

Funding

Add in Other Funding \$920,000

Output - Provider Led Development

1. Estimated total lending facility required throughout project \$7,953,181

2. Finance Required at Completion (once sales income received) \$0

Full Development Feasibility Inputs (from Shared Equity model) – Pt.1

1. Base Data

What is the property size in square metres? (m²) 8000
 What is the purchase price or the market value of the land? \$1,000,000

What is the anticipated Project 'Start Date'? 1/10/2021
 What is the anticipated Project 'End Date'? 30/01/2025
 Total Project Months 40

2. Property Identification and Typology

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

3. Yield Analysis and Area Metrics

Yield Analysis		Area Metrics	
Typology	Number	Floor Area (m ²)	Land Area (m ²)
1 Bed	7	40	250
2 Bed	4	65	250
3 Bed	2	90	250
4 Bed	9	120	250
5 Bed	0	0	0
6 Bed	0	0	0
Total	22	1800	5500

4. Estimated Market Value, Sale Price and Household Share at Settlement

Typology	Number	Estimated Market Value			Estimated Sale Price			Household Share at Settlement		
		Improvements	Land	\$/dwg	Improvements	Land	\$/dwg	% Share	\$/dwg	Total \$
1 Bed	7	\$240,000	\$200,000	\$440,000	\$240,000	\$200,000	\$440,000	55%	\$242,000	\$1,694,000
2 Bed	4	\$325,000	\$200,000	\$525,000	\$325,000	\$200,000	\$525,000	55%	\$288,750	\$1,155,000
3 Bed	2	\$360,000	\$200,000	\$560,000	\$360,000	\$200,000	\$560,000	55%	\$308,000	\$616,000
4 Bed	9	\$420,000	\$200,000	\$620,000	\$420,000	\$200,000	\$620,000	55%	\$341,000	\$3,069,000
5 Bed	0	\$0	\$0	\$0	\$0	\$0	\$0	55%	\$0	\$0
6 Bed	0	\$0	\$0	\$0	\$0	\$0	\$0	55%	\$0	\$0

Full Development Feasibility Inputs (from Shared Equity model) – Pt.2

1. Development Cost Timing

Development Cost	Month Start	Month End
Settlement of Land Purchase	1	
Site Civils & Infrastructure	18	20
Professional Fees	5	20
Council Costs	6	20

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

Please note, if there are more than 6 properties, expand the selection using the + symbol on the left hand side of the screen.

Property Identification		Sale Price and Construction Cost		Construction and Selldown Milestones (Month)			
Legal Description/Reference	Typology	Household Share	Construction Cost	Construction Start	Lock up Month	CCC	Settlement
Lot 1	1 Bed	\$242,000	\$160,000	14	17	18	19
Lot 2	1 Bed	\$242,000	\$160,000	14	17	18	19
Lot 3	1 Bed	\$242,000	\$160,000	14	17	18	19
Lot 4	1 Bed	\$242,000	\$160,000	14	17	18	19
Lot 5	1 Bed	\$242,000	\$160,000	14	17	18	19
Lot 6	1 Bed	\$242,000	\$160,000	14	17	18	19

3. PHO Loan Calculations

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

Quantum of PHO funding required per Typology					Development Option and Timing of PHO Funding				
Typology	Number	Purchase Price	% PHO Share	Total PHO \$ per dwg	Acquisition Contract	Lockup	Completion	Total PHO \$ per typology	
1 Bed	7	\$440,000	45%	\$198,000	30%	30%	40%	\$1,385,000	
2 Bed	4	\$525,000	45%	\$236,250	\$59,400	\$59,400	\$79,200	\$945,000	
3 Bed	2	\$560,000	45%	\$252,000	\$75,600	\$75,600	\$100,800	\$504,000	
4 Bed	9	\$620,000	45%	\$279,000	\$83,700	\$83,700	\$111,600	\$2,511,000	
5 Bed	0	\$0	0%	\$0	\$0	\$0	\$0	\$0	
6 Bed	0	\$0	0%	\$0	\$0	\$0	\$0	\$0	
Development Option (Select from List)	Option 3: Acquisition and Construction				Total funding per milestone			Total PHO Funding Required	
					\$1,603,800	\$1,603,800	\$2,138,400	\$5,346,000	

4. Reconciliation of Provider's sources of funding excluding third party lending

Funding and Capital	%	Total \$	Month
MHUD PHO Loan	100%	\$5,346,000	
Provider Cash Contribution	0%	\$0	1
Bank Construction Loan	0%	\$0	0
Other Source	0%	\$0	0
Other Source	0%	\$0	0
Other Source	0%	\$0	0
Total Funding and Capital Sources	100%	\$5,346,000	


5. Construction Costs (CC)

Typology	Number	Estimated Construction Cost		Total Construction Cost
		\$/sqm	\$/dwg	
1 Bed	7	\$4,000	\$160,000	\$1,120,000
2 Bed	4	\$3,500	\$227,500	\$910,000
3 Bed	2	\$3,000	\$270,000	\$540,000
4 Bed	9	\$3,000	\$360,000	\$3,240,000
5 Bed	0	\$3,000	\$0	\$0
6 Bed	0	\$0	\$0	\$0
Contingency			15%	\$871,500
				\$6,681,500

6. Project Development Costs (DC)

Description/Source	Rate	Unit	Total \$
Direct Costs			
Total Land Purchase			
Land Purchase	\$1,000,000	1	\$1,000,000
Legal, Valuation etc.	\$10,000	1	\$10,000
Total Land Costs			\$1,010,000
Site Civils & Infrastructure			
Offsite Infrastructure	\$50,000	1	\$50,000
Excavation/ Siteworks	\$10,000	1	\$10,000
Road Works	\$50,000	1	\$50,000
Fencing	\$10,000	1	\$10,000
Pathways	\$50,000	1	\$50,000
Demolition	\$50,000	1	\$50,000
Disconnections	\$10,000	1	\$10,000
Electricity	\$50,000	1	\$50,000
Phone	\$10,000	1	\$10,000
Water	\$10,000	1	\$10,000
Other (please specify)			\$0
Other (please specify)			\$0
Contingency (%)		20%	\$60,000
Total Site Civils & Infrastructure			\$360,000
Professional Fees			
Valuation	\$10,000	1	\$10,000
Council LIM	\$1,000	1	\$1,000
Urban Design	\$15,000	1	\$15,000
Architecture	\$10,000	1	\$10,000
Engineering / infrastructure	\$50,000	1	\$50,000
Landscape Design	\$30,000	1	\$30,000
Project Management	\$50,000	1	\$50,000
Legal	\$20,000	1	\$20,000
Insurances	\$5,000	1	\$5,000
Other (please specify)	\$600,000	1	\$600,000
Other (please specify)			\$0
Contingency (%)		5%	\$39,550
Total Professional Fees			\$830,550
Council Costs			
Subdivision Consent	\$50,000	1	\$50,000
Resource Consent	\$50,000	1	\$50,000
Building Consent	\$25,000	1	\$25,000
Development Contributions	\$15,000	15	\$225,000
Other Council Costs	\$10,000	1	\$10,000
Other (please specify)			\$0
Other (please specify)			\$0
Contingency (%)		15%	\$54,000
Total Council Costs			\$414,000
Total Project Development Costs			\$2,614,550
Development Cost Benchmarking			
Cost	Total	% of Total CC + DC	Benchmark
Site Civils & Infrastructure	\$360,000	4.3%	N/A
Professional Fees	\$830,550	10.0%	12.5%
Council Cost (excl. Development Contributions)	\$189,000	2.3%	1.3%
Total Project Contingency	\$1,025,050	12.4%	10-20%

KEY TAKEAWAYS

- 1. Know the costs: Rubbish in  Rubbish out**
- 2. Test your assumptions to understand the risk**
- 3. It has to work for whānau, to work for the provider also**
- 4. Whānau success = PHO loan repayment by Year 15**

CONTACT DETAILS

For ITP Documentation:
PHO Programme
PHO@hud.govt.nz

Lead - Te Au Taketake Pathway
Debbie Bean
Debbie.Bean@hud.govt.nz

Business Development Advisor
Tracy Jacobs
TracyJacobs@hud.govt.nz

Lead – Commercial Adviser
Nigel Hewitson
Nigel.Hewitson@hud.govt.nz

Lead – Provider Pathway
Mark Ormsby
Mark.Ormsby@hud.govt.nz

Business Development Advisor
Lee Wright
Lee.Wright@hud.govt.nz