

**13.6 Section 17A Review - Council Social Housing****Author:** Nicole Timney, Group Manager Property**Authoriser:** Nigel Trainor, Chief Executive

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
<b>Sub-clause and Reason:</b>	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities
<b>Plain English Reason:</b>	To enable Council to carry out commercial activities.

**Recommendation**

That Council:

1. Receives the Section 17A review report for Council Social Housing Activity.
2. Endorses the preferred option (**Option 1**); to maintain the status quo, meaning the Timaru District Council retains management and ownership of the Council Social Housing Portfolio.
3. Adopts the change to the financial model, surplus to pay down debt after all expenses and a deferment of capex for the next three years, which is a change to the Long Term Plan 2024 2034.
4. Adopts the draft Timaru District Council Strategic Housing Framework 2024 2034.
5. That Council explore further options of management and delivery of services in line with the outcome of discussions regarding future provision of housing across the housing spectrum.
6. Council resolves that the report and recommendations remain in public excluded until such time as any future commercial activities have been completed if required.

**Purpose of Report**

- 1 To receive the review of the Council Social Housing Activity, under section 17A of the Local Government Act 2002.
- 2 To endorse the preferred option (Option 1); to continue the management and ownership of Councils Social Housing Portfolio.
- 3 That Council adopts to the change to the financial model, surplus to pay down debt after all expenses and a deferment of capex for the next three years, which is a change to the Long Term Plan 2024 2034.
- 4 Adopts the draft Timaru District Council Strategic Housing Framework 2024 2034.
- 5 That Council give direction to Officers to explore other options of management and delivery of services after discussions, across the housing spectrum.

**Assessment of Significance**

- 6 This matter has been assessed as being of low to medium significance at this time, in accordance with Council's Significance and Engagement Policy. This is because no changes are proposed at this stage that will affect levels of service or rates.

**Background**

- 7 Under section s17A of the Local Government Act 2002 Council has an obligation to review the cost-effectiveness of the current service delivery arrangements for meeting the needs of communities within its district for good quality infrastructure, public services, and the performance of regulatory functions.

**Discussion**

- 8 Timaru District Council (TDC) currently manages and owns the Council Social Housing Portfolio of 236 studio units and one-bedroom flats.
- 9 Council has not completed a major review of its Council social housing portfolio since the last s17A review in 2016. An asset management plan review of its housing assets was completed at the same time. This new review outlines the fundamental challenges and opportunities with the portfolio in 2024 and beyond.
- 10 To assist with this review, Martin Jenkins was commissioned to complete a Housing Insights Report which was completed in August 2024 and should be read in conjunction with this review report.
- 11 The Insights Report covers the districts social housing portfolio, the wider housing market pressures, trends in the community housing sector and how Council might explore new approaches and models. It further details what other Canterbury Region Councils are doing with their portfolios by way of a benchmark exercise and poses three scenarios for consideration.
- 11.1 Scenario 1 – No change to the current operating model with a focus on increasing rents and maintaining the level of service.
- 11.2 Scenario 2 – Optimise and expand the portfolio of property, focus on the same changes as scenario 1 but also the composition of the portfolio and the delivery mechanisms.
- 11.3 Scenario 3 – Adopt new initiatives and include the opportunities outlined in scenarios 1 and 2.
- 12 In 2021, Council updated its Social Housing Policy. The purpose of the policy is to provide housing for those persons in the community who are 55 plus and receiving a national superannuation, war, widows, invalids for sickness (long-term) benefit, or current equivalent benefit and the applicant must have a housing need.
- 13 The activity has a policy to be 'self-funding' with full occupancy, the portfolio is targeted to be within surplus for the financial year 2024-2025.
- 13.1 There is 100% occupancy at the time of this report.
- 13.2 General asset status is medium to high with no major capex required in the next three to four years.
- 13.3 Demand is expected to grow with critical shortage of affordable housing and an increasing over 65 population in the next ten years.

13.4 The private sector is not building one bed units but does some conversions of large houses to single units targeted at the high rental market.

13.5 Average rents (all housing) up approximately 50% in the last five years.

- 14 There is no return on capital invested in the portfolio, other than to be self-funding, due to below market rentals consistent with the policy to provide cost effective housing for the elderly and others on fixed benefits and superannuation. Recent market trends in capital value of housing in Timaru have resulted in significant capital gains to Council.

### Options and Preferred Option

- 15 There were three options considered under this review, see attachment 1, the Council Social Housing s17a Review Report December 2024:

- 16 **Option 1** (Preferred Option) – That Council retains the status quo and the management of the Council Social Housing portfolio inhouse. This option includes the adoption of a new financial model that outlines the deferral of non-urgent capex for the next three years and that all surplus funds after expenses go directly to pay down debt. This model allows for a depreciation surplus and rental surplus to build in reserves and be redeployed for capex and further development of housing units in three to four years at the conclusion of a debt free position.

- 17 This option does not stop Council choosing to investigate further options of management and delivery to satisfy further housing provision across the housing spectrum.

- 18 **Option 2** – Lease to a CHP and expand the portfolio. This option requires further analysis with the development of a business case to justify the benefits of this option. Full public consultation will be required for this option as it is a significant change to the current service delivery.

- 19 **Option 3** – Part sale or sale of portfolio to create a JV or Trust which would manage and expand the portfolio offerings. This option requires further analysis with the development of a business case to justify the benefits of this option. Full public consultation would be required for this option as it is a significant change to the current service delivery.

- 20 Potential benefits and disadvantages and risks were identified for each option and assessed against the following critical success factors:

- (a) Strategic fit and business needs – does it align with the strategic and financial priorities of Council and the community?
- (b) Potential value for money – is it the right solution, at the right time, at the right price?
- (c) Supplier capacity and capability – is it a sustainable arrangement (suppliers can support development/implementation)?
- (d) Potential affordability – is funding available to make the change?
- (e) Potential achievability – is the ability and skills to deliver available (internal capacity to implement in the timeframe)?

- 21 Any option that did not meet one or more critical success factors was discounted from further assessment. Option 2 and 3 were discounted on the basis that it did not meet with Council's strategic fit and business needs at this time, potential value for money or potential achievability.

- 22 The inhouse service delivery model was preferred due to the following main reasons:

- (a) The inhouse cost of delivery where cost alone is considered.
  - (b) The new proposed financial model achieves a depreciation reserve and debt free position for Council within three years.
  - (c) The inhouse service delivery model offers less risk with regards to business continuity and there is one FTE required to manage the entire service with support from other members of the Property Group as and when required.
  - (d) There are no guarantees that if we went to market in the current environment, that we would be successful in attracting any suitable partners to successfully adopt the management and service of the activity at the current returns and costs of operation.
- 23 The preferred option is that the current inhouse service model continues as it is the most cost-effective delivery, which will deliver to Councils objectives to meet housing needs for the vulnerable in the Timaru District.

### **Consultation**

- 24 The general public were notified in the Long Term Plan 2024 2034 pre-consultation papers that an s17A review was to be undertaken of Councils Social Housing portfolio, which would also review the rentals across all units.
- 25 Tenants of all units were informed with a personal letter of the intent to conduct a review of the service model and would be informed of the outcome of the review when available.

### **Relevant Legislation, Council Policy and Plans**

- 26 The following legislation and policies apply:
- 26.1 Local Government Act 2002
  - 26.2 Residential Tenancies Act 1986
  - 26.3 Social Housing Policy 2021

### **Financial and Funding Implications**

- 27 The financial modelling for the current Long Term Plan 2024 2034 for the provision of the service is outlined in the Council Social Housing s17A Review Report on pages 13 and 14. See attachment 1.
- 28 The proposed financial model is discussed in the Council Social Housing s17A Review Report on page 15. See attachment 1.

### **Other Considerations**

- 29 Should Options 2 or 3 be preferred options for the future provision of Council social housing then full analysis and business cases would be required to be developed along with developing a relationship of JV with a suitable partner with experience of delivering social housing on a medium scale.

### **Attachments**

- 1. Council Social Housing S17a Review Report Dec 2024
- 2. TDC Draft Council Strategic Housing Framework 2024 2034
- 3. Timaru District Council - Housing insights report (28 August)





## Timaru District Council Council Social Housing 17A Review

December 2024





## Timaru District Council Council Social Housing section 17A Review

### Executive Summary

The **Council Social Housing section 17A Review** report provides a comprehensive analysis of the Timaru District Council's social housing activity, focusing on the ownership, management, and service delivery of affordable housing for residents aged 55+ with limited assets. The review is conducted in accordance with Section 17A of the Local Government Act 2002, which mandates periodic reviews of existing council infrastructure, services, and regulatory functions.

Key findings from the review include:

- The Timaru housing market is relatively affordable compared to other districts.
- The Timaru District Housing portfolio is large relative to councils of similar size.
- Demand for housing support is increasing in Timaru.
- Unlike Timaru District Council, other councils cannot sustainably fund housing through rental income.

The report outlines three scenarios for consideration:

1. **No change** to the current operating model, focusing on incremental increases in rents and maintaining the level of service.
2. **Optimise and expand** the portfolio, including changes in the composition of the portfolio and delivery mechanisms.
3. **Adopt new initiatives** and include opportunities outlined in the first two scenarios.

The review also highlights the need for a Housing Strategic Framework to guide future decisions and proposes a draft framework in the appendix. The report concludes with a high-level analysis of three principal options for the future of the social housing activity:

1. **Status quo** - Retain ownership and management.
2. **Lease to a registered Community Housing Provider (CHP)** and expand the portfolio.
3. **Create a Joint Venture (JV) or Trust** and expand into new initiatives.

The report emphasizes the importance of ensuring that no tenant is worse off, enabling the growth of the retirement housing portfolio, and maintaining the financial sustainability of the activity.

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## The Review Process, Findings and Recommendation – December 2024

### 1. Purpose

This report summarises the Council Social Housing 17A Review and possible future options on the ownership, management and service delivery of this activity.

### 2. The Review

Council is carrying out a service and delivery review of its Social Housing activity, which meets the requirements of Section 17A of the Local Government Act 2002. The activity delivers affordable housing for residents aged 55+ with limited assets. Council last built additional units in 2008 and 2010, supported by government financing.

The Local Government Act was amended in 2014 and included new provisions relating to periodic reviews, at least every six years, of existing Council infrastructure, services and regulatory functions, providing the requirement for Section 17A reviews. This Review meets the requirements of a s17A review under the Local Government Act 2002 (LGA).

Council has not completed a major review of its retirement housing portfolio since the last 17A review in 2016. An asset management plan review of its housing assets was completed at the same time. This new review outlines the fundamental challenges and opportunities with the portfolio in 2024 and beyond.

To assist with this review, Martin Jenkins was commissioned to complete a Housing Insights Report which was completed in August 2024 and should be read in conjunction with this review report. The Insights Report covers the districts social housing portfolio, the wider housing market pressures, trends in the community housing sector and how Council might explore new approaches and models. It further details what other Canterbury Region Councils are doing with their portfolios by way of a benchmark exercise and poses three scenarios for consideration.

1. Scenario 1 - No change to the current operating model with a focus on increasing rents and maintaining the level of service.
2. Scenario 2 – Optimise and expand the portfolio of property, focus on the same changes as Scenario 1 but also the composition of the portfolio and the delivery mechanisms.
3. Scenario 3 – Adopt new initiatives and include the opportunities outlined in Scenario's 1 and 2.

Depending on the outcome of the review and Councils decision, further consideration may need to be given to funding strategies in line with a strategy for the overall management of the portfolio.

Key findings of the Housing Insights Report:

- The Timaru housing market is relatively affordable.
- The Timaru District Housing portfolio is large compared to other councils of a similar size.
- Demand for housing support is increasing in Timaru.



- Unlike Timaru District Council, other councils cannot sustainably fund the provision of housing through rental income.
- Some councils have established arm's length housing entities to access income-related rental subsidies.
- A few councils are implementing demand side affordable housing tools such as shared equity, often through the establishment of a trust.
- Councils have limited access to external funding sources.
- There is a growing interest from private sector trusts and entities along with the private sector to invest in community type housing.
- There is no single trend in the approaches councils are taking for the provision of housing.

### 3. Timaru District Council Social Housing Policy

In 2021, Council updated its Social Housing Policy. The purpose of the policy is to provide housing for those persons in the community who are 55 plus and receiving a national superannuation, war, widows, invalids for sickness (long-term) benefit, or current equivalent benefit and the applicant must have a housing need.

The Policy and information, along with an application form can be found at all the Timaru District Council Service Centres and online:

<https://www.timaru.govt.nz/council/publications/policies/social-housing-policy>

### 4. Context

The Council owns and manages a housing portfolio of 236 units built between 1960's and 2010. Rentals are below the market rental in line with assisting those in need and on fixed benefits who are not financially able to rent from the general market at market rentals. Market rentals in Timaru are hard to benchmark against the social housing portfolio due to high end fitouts of one-bedroom flats which are not consistent with councils' offerings.

The activity has a policy to be 'self-funding' with full occupancy, the portfolio is targeted to be in surplus for the financial year 2024-2025.

A summary overview of the portfolio and market trends includes:

- Flats are fully occupied with 100% occupancy.
- General asset status is medium to high with no major capex required in the next three to four years.
- Demand is expected to grow with critical shortage of affordable housing and an increasing over 65 population in the next ten years.
- Private sector is not building one bed units but does some conversions of large houses targeted at the high rental market.
- Average rents (all housing) up approximately 50% in last five years.



Figure 1 – Timaru District Council Summary of portfolio and values



There is no return on capital invested in the portfolio, other than to be self-funding, due to below market rentals consistent with the policy to provide cost effective housing for the elderly and others on fixed benefits and superannuation. Recent market trends in capital value of housing in Timaru have resulted in significant capital gains to Council as noted in Figure 1 above.

Table 1 – Actual Income v Expenditure 2024 - 2026

LTP 24-34		2025	2026
<b>Housing - OPEX</b>			
1.1 : Revenue		1,629,493	1,743,557
1.2 : Expenses		(1,491,136)	(1,552,972)
2600 : Depreciation		(163,073)	(167,240)
4230 : Finance Costs Internal		(141,923)	(150,433)
2401 : Operating expenses		(1,025,628)	(1,048,192)
4220 : Allocations		(160,512)	(187,107)
3052 : PPE Revaluation - (Oth Comp Inc)		0	32,263
<b>Surplus</b>		<b>138,356</b>	<b>222,848</b>
Asset value in CVR - at cost	14,883,572	15,313,572	15,750,282
Asset value in CVR - WDV	10,794,356	11,061,283	11,330,753
		<b>2025</b>	<b>2026</b>
<b>Housing - CAPEX</b>		<b>430,000</b>	<b>436,710</b>
M168 - Convert 3 Bedsits to 2 One Bed Flats - Temuka then Pleasant Point		125,000	125,000
M167 - Reroof Clyde St, Cameron Courts Temuka, Huffey Street, Clyde Carr Cres, King St, Pleasant point		150,000	153,300
M169 - Upgrades - Painting Outside and Inside		80,000	81,760
15 - Flats 1 General Healthy Homes and General Capex Works - Capital Renewal		75,000	76,650
Borrowings		2,735,150	3,004,620

The units are in a reasonable condition and all basic maintenance has been carried out including Healthy Homes. There has been an increase in spend for capital works in the last two years with the completion of Healthy Homes, roof replacements and the conversion of units from bedsits to small one-bedroom units.

The Martin Jenkins report outlines Timaru's housing market challenges on pages 9 and 10 of their Housing Insights Report August 2024. We have a complex market but unlike other districts, relatively affordable housing. The report outlines the challenges that Timaru faces with details from the Ministry of Housing and Urban Development and Ministry of Social Development.





Council became involved in the ownership and delivery of retirement housing in the 1960's as part of a whole of government focus on significantly increasing the size of the housing stock across New Zealand. Government concentrated on social housing, and local government was given access to funding to provide affordable housing for pensioners with low assets / income. This policy ended in the late 1980's and building of these units by local government largely ceased.

Over the last 30 years Councils have maintained a status quo approach, usually treating these assets as self-funding with very few design and quality upgrades. A backlog of renewals and design improvements have built up over time for some councils. This has been exacerbated, with the change in government policy in 2014 regarding registered Community Housing Providers (CHP) being able to access subsidised rental funding (the Income Related Rent Subsidy – IRRS) and other grant functions such as 50% of construction cost suspensory loans.

The current and previous governments have been consistent in refusing to allow Councils to access this funding. In response to this several Councils decided to exit their housing activity and sell or transfer the assets to either:

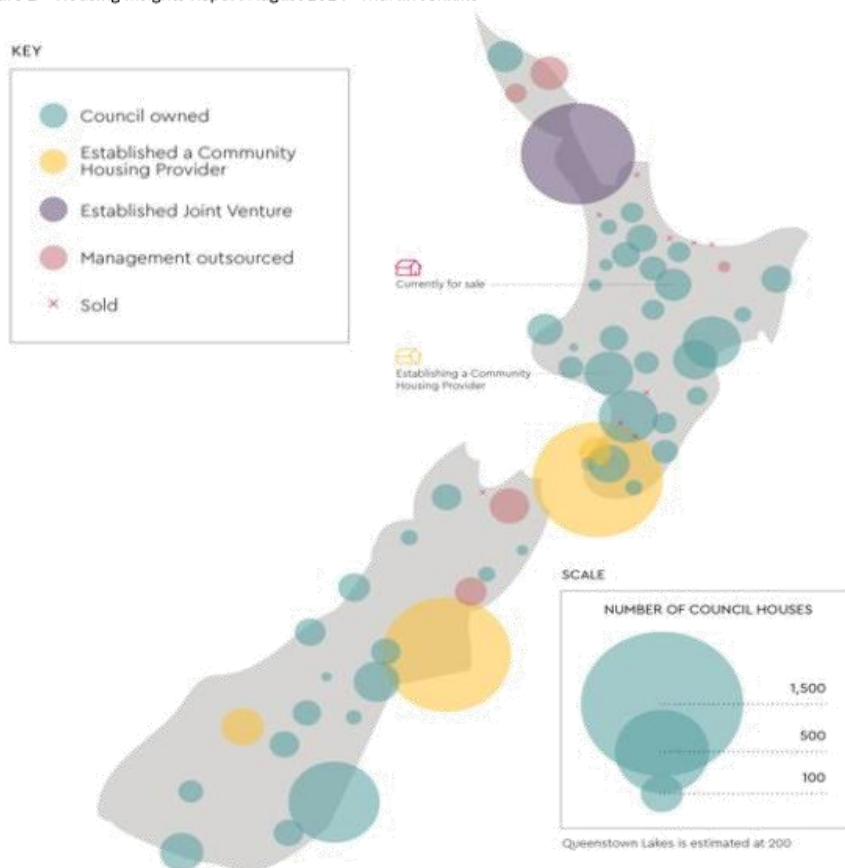
- a. A registered CHP usually at below market prices
- b. A community trust (not for profit) at no return to Council
- c. A purchaser through market tender

Despite this, many Councils still own, manage and deliver retirement housing services. A wave of new investment in these assets is underway including new units being planned or built. Several larger Councils further subsidise the activity by rates funding and revenue deficit.

Contextually, there are risks with Council making significant changes or decisions on its portfolio, ahead of potential Local Government Change. The political environment and the future of Local Government is in a period of significant potential change, with the introduction of the Three Waters Review, now Water Done Well. The change in three water operations for the Timaru District Council alone, could introduce significant potential change to the operation and form of the Timaru District Council.



Figure 2 – Housing Insights Report August 2024 - Martin Jenkins



The investment from Central Government in Local Government – whether through infrastructure or social capital investment, as well as the shift in view of the importance of localism for social services, could shift the focus on Local Government dramatically. Further the rapidly changing political environment and shift in political ideology after the 2023 election, is something for Council to be mindful of through this review – particularly considering possible changes in the delivery of local water services. A major shift to privatise or further isolate Council from community services such as housing could be detrimental long term, not only to the Timaru District Councils balance sheet which does enable borrowings but also to the aging community in the lower socio-economic bracket.

## 5. The Review Process

This review process invites council to consider a range of options, which would normally be in context of Council's strategic goals. Through this review it is recommended that Council adopt



a Housing Strategic Framework to help guide decisions and a draft framework is proposed in appendix 1 of this report.

This report will look at:

- The issues facing the activity
- The critical success factors and the key objectives
- The list of options that best meet Council's strategic goals, success factors and key objectives.

Key issues that the review is seeking to resolve for the portfolio are outlined below:

What are we trying to fix?	
1	The lack of fit-for-purpose housing in the market and possible lack of future wraparound services currently provided to Council's Retirement Housing tenants.
2	The evidence of growing and forecast demand for affordable (rental) retirement housing for vulnerable members of society in the Timaru District.
3	The long-term financial sustainability of the activity, including the inability for Council to access the government's Income Related Rent Subsidies (IRRS) scheme or other related grant funding.

The three following critical success factors to consider with any outcome of the review are:

Critical Success Factors	
1	No tenant is worse off than before, with access to wellbeing services in association with the provision of affordable housing and Income Related Rental Subsidies (IRRS) or similar.
2	Enabling the growth of the retirement housing portfolio to meet current and future demands.
3	Council can remain focused on its ability to fund its core business priorities, allowing the maximum utilisation of its capital.

The following objectives for the review are also identified:

Retirement Housing Review Objectives	
1	Ensure that tenants have access to well-being services in association with the provision of affordable housing and the IRRS if applicable.
2	The Retirement Housing Activity is enabling growth in the right locations, allowing the activity to grow to meet current and future demand.
3	Ensure that the Retirement Housing activity has a financially viable and sustainable future.





Based on the critical success factors and objectives, the following five options should be considered:

Shortlisted options for Analysis	
1	Status Quo – Council retains ownership and operates as currently
2	Lease the portfolio to a registered Community Housing Provider, for overall management and private funding of the portfolio.
3	Sell to a registered Community Housing Provider outright.
4	Council Leases or transfers the Portfolio to a JV / Trust.
5	Divest of the portfolio to the private sector.

Based on the critical success factors a brief analysis of short-listed options are summarised in the table 2 below:



Table 2 – Outline of initial shortlisted options analysis

	<b>Option 1 Status Quo</b>	<b>Option 2 Lease to CHP</b>	<b>Option 3 Sell to CHP</b>	<b>Option 4 JV / Trust</b>	<b>Option 5 Sell Portfolio</b>
	<b>Preferred</b>	<b>Possible</b>	<b>Possible</b>	<b>Possible</b>	<b>Possible</b>
Major issues	Impact on tenants Cannot access IRRS Council investment required in the future	Access to capital Existing tenants not eligible Attracting Community Housing Provider Possible Council investment required	Existing tenants not eligible for IRRS	Complexity Access to capital Access to IRRS Council investment required	Community impact to sale of significant Council asset providing a service to vulnerable persons within the district and communities
Critical for success	Increase rents as per Long Term Plan and access to Accommodation Supplement	Gaining exemptions for existing tenants to access IRRS	Gaining exemptions for existing tenants to access IRRS	Access to IRRS and exemptions Funding investment	Approval by public via a consultation process
Council benefits	Control of rents and conditions Control of assets Future capital gains	Control of assets Future capital gains and expand portfolio	Sale proceeds – could use to invest in more housing or reduce Council debt	Long term local controlled assets. Expand into new initiatives	Reduction of capital debt for Council or available capital for alternative projects
Political difficulty	Low	Low	Initially moderate	Depends on structure and partners	Moderate to High
Impact on existing Tenants	Impact lessened if rental increase spread over two years as per advice from Work & Income Timaru Office. Acknowledge that rents must increase. Accommodation Supplement for those eligible	Moderate to high increase in rents	Moderate to high increase in rents	Moderate to high increase in rents	Moderate but possibly high increase in rents



Based on the brief analysis in Table 2 the following options are more likely to succeed and provide the outcomes based on the critical success factors but also allow Council to retain the ownership of the assets.

Shortlisted Options
Option 1 – Status Quo.
Option 2 – Lease to CHP and expand portfolio.
Option 3 – Create a JV or Trust and expand into new initiatives.

#### 6. Options Analysis

This next section of the review provides a further high-level analysis on each of the three options and their relative sub options where applicable. Fundamentally this options analysis focussed on the three principal options of:

- Option 1 - Status quo - Retain ownership and management
- Option 2 - Lease to registered Community Housing Provider (CHP) and expand portfolio
- Option 3 - Create a JV or Trust and expand into new initiatives

A high-level analysis of the three options is provided in table 3 below.



Table 3 – High level analysis of three options for consideration

	Option 1 – Status Quo		Option 2 – Lease to a CHP		Option 3 – Create a JV or Trust	
	Option 1a Status Quo with Rental Increase	Option 1b Status quo, rental increases and investment	Option 2a Lease to a CHP	Option 2b Lease to a CHP and Invest	Option 3a Partial sale to JV or Trust and pay down debt	Option 3b Partial sale to JV or Trust and build new housing
	Preferred	Possible	Possible	Possible	Possible	Possible
Major issues	<ul style="list-style-type: none"> <li>Impact on tenants</li> <li>Cannot access IRRS</li> <li>Council investment required</li> <li>Rental Increases – perception of significant increases and potential hardship.</li> </ul>	<ul style="list-style-type: none"> <li>Access to capital</li> <li>Existing tenants not eligible</li> <li>Attracting Community Housing Provider □ Council investment required.</li> <li>Could be achieved through reserve funds over time with rental increases.</li> </ul>	<ul style="list-style-type: none"> <li>Existing tenants not eligible for IRRS</li> <li>Assumption portfolio would attract a CHP</li> </ul>	<ul style="list-style-type: none"> <li>Complexity</li> <li>Assumption portfolio would attract a CHP</li> <li>Council investment required</li> </ul>	Political risk if JV or Trust doesn't perform as expected	Unclear if there is mandate for reinvestment
Critical for success	<ul style="list-style-type: none"> <li>Increase rents as per the Long Term Plan and access Accommodation Supplement.</li> <li>Provides opportunity to build some renewal funds, fund renewals generally – achieves two outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>If debt funding is required, unlikely to be achieved in the short to medium term.</li> <li>Could substantially achieve critical success factors if rentals increased sufficiently to not require debt funding.</li> </ul>	<ul style="list-style-type: none"> <li>Gaining exemptions for existing tenants to access IRRS, unlikely to be achieved.</li> <li>May achieve critical success factors</li> </ul>	<ul style="list-style-type: none"> <li>Access to IRRS and exemptions</li> <li>Funding investment</li> <li>May achieve critical success factors</li> </ul>	<ul style="list-style-type: none"> <li>Will not substantially support housing outcomes.</li> <li>Impact on tenants high</li> <li>Supports the health of Councils balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>Unlikely that the same scope of scale of development could be achieved without existing land to acquire.</li> <li>Impact on tenants high.</li> <li>Revalued assets not on Councils balance sheet for a period.</li> </ul>
Council benefits	<ul style="list-style-type: none"> <li>Control of rents and conditions</li> <li>Control of assets</li> <li>Future capital gains</li> </ul>	<ul style="list-style-type: none"> <li>Control of assets</li> <li>Future capital gains</li> </ul>	Lease proceeds – could use to invest in more housing	Long term local controlled assets	□ Net proceeds offset debt or new activities	□ Newer housing stock
Political difficulty	Low – but problems growing rental increases fast	<ul style="list-style-type: none"> <li>Low</li> <li>Still challenges growing rental increases fast</li> </ul>	Potentially moderate	Potentially moderate – other pressures could see funds not reinvested in housing.	<ul style="list-style-type: none"> <li>Very high and difficult</li> <li>Expect significant tenant and community backlash</li> </ul>	<ul style="list-style-type: none"> <li>Very high and difficult</li> <li>Not clear community mandate to construct more or that housing is councils core role.</li> <li>Unclear to what obvious benefit.</li> <li>Risks associated with development are high</li> </ul>
Impact on existing Tenants	<ul style="list-style-type: none"> <li>Eventually rents must increase.</li> <li>Accommodation Supplement for those eligible.</li> <li>Notable impact for those not eligible</li> </ul>	<ul style="list-style-type: none"> <li>Eventually rents must increase.</li> <li>Accommodation Supplement for those eligible.</li> <li>Significant impact for those not eligible</li> </ul>	Moderate to high increases in rent	Moderate to high increases in rent	<ul style="list-style-type: none"> <li>Very high.</li> <li>Would likely create pockets of significant social deprivation if sold on the open market and general occupation occurred.</li> </ul>	<ul style="list-style-type: none"> <li>Very high.</li> <li>Would likely create pockets of significant social deprivation if sold on the open market and general occupation occurred.</li> </ul>
Rent required	\$130 to \$220	\$130 to \$220	\$130 to \$220	\$130 to \$220	\$130 to \$220+	\$130 to \$220+
Minimum Rent for tenant through assistance schemes	\$130 to \$220 (Accommodation Supplement or Income Related Rent Subsidy) approximately	\$130 to \$220 (Accommodation Supplement or Income Related Rent Subsidy) approximately	\$130 to \$220 (Accommodation Supplement or Income Related Rent Subsidy) approximately	\$130 to \$220 (Accommodation Supplement or Income Related Rent Subsidy) approximately	\$130 to \$220 (Accommodation Supplement) approximately	\$130 to \$220 (Accommodation Supplement) approximately
Owner	Council	Council	Council / CHP	Council / CHP	Council / Private	Council / Private
Debt Impact	Nil – Surplus to be utilised to fund debt and thereafter to Council activities	Nil – Surplus to be utilised to fund further development by adopting new financial model and defer capex for 3 years	CHP	Council \$2 million to increase portfolio	Nil – positive position	Nil to minimum \$2 million to increase portfolio
Sale / Lease Proceeds	Nil	Nil	Unknown – market lease valuation required	Unknown – market lease valuation required	\$9 - \$10 million depending on configuration. Note costs could occur and further analysis is required to establish true costs of this scenario.	\$9 to \$10 million depending on configuration. Note costs could occur and further analysis is required to establish true costs of this scenario



#### 6.1.1 Option 1a - Status Quo – Retain ownership and Management

This option sees Council retaining the management and ownership of the portfolio which is successfully managed with one FTE and as of November 2024, all units fully occupied.

##### Discussion

As units have been upgraded to Healthy Homes standards and most units have had maintenance upgrades over the last two financial years. Other than a capital roof replacement staggered over the several financial years starting in three years' time, overall, the standard of the units is medium to high.

A detailed Asset Management Plan for the portfolio is underway and partly uploaded into an asset management system. While the units have been maintained to a sound standard and are overall in good condition, the full extent of work required, to scope out major upgrades into the future and a full renewal profile of the assets will take time and attention. We have recently completed a full maintenance review over a ten-year period for each property, this will determine the future Asset Management Plan.

Minimising the impact on existing tenants has been a key consideration through the review, while achieving the financial viability and sustainability of the assets. Further work is required to understand the portfolios current tenants, to understand how many have assets and/or income that does not make them eligible for Ministry of Social Developments (MSD) Accommodation Supplement. We will need to connect tenants with MSD to confirm a more accurate percentage of tenants that can access the Accommodation Supplement, though indications are that approximately 80% of our tenants are on some form of rental assistance.

A key assumption in the revenue profiling of the activity, recognising the potential number of tenants who may rely on the accommodation supplement, was for Council not to exceed the Accommodation Supplement available to those tenants able to access it. It is difficult to ascertain how many tenants would be eligible for assistance, it is a case-by-case basis, but we will assume that 80% will get assistance, as indicated by Ministry of Social Development.

Based on information provided by the Ministry of Social Development, we have assumed as many tenants as possible would seek to access the accommodation supplement. Tenants can apply and if successful, over a certain threshold, they could receive \$0.70 cents in each \$1.00 to \$80.00.

##### Financial Modelling

We have completed financial modelling on Option 1a to understand what the impact would be on as per increases agreed in the Long Term Plan with and retaining capex. This option would also see all surplus be redirected to paying off debt and no further surplus going into Council income and utilising borrowings for capex.

This option retains the capex programme but looks to use any surplus to directly pay down debt. As per the financial model below this puts the portfolio in an advantageous position in time to invest in further capital renewals or investment in new units from surplus funds. The



surplus funds could also be utilised by Council for other property related opex and capex programmes, though we suggest that investment in the Council housing portfolio is preferred.

Table 4 – Option 1a Financial Model

LTP 24-34	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Housing - OPEX</b>										
5.1 - Revenue	5,029,490	5,740,567	5,895,326	5,954,809	5,949,633	5,940,763	5,936,531	5,937,188	5,939,235	5,940,442
5.2 - Expenses	(5,491,346)	(5,968,870)	(5,485,233)	(5,488,099)	(5,494,970)	(5,740,240)	(5,747,947)	(5,493,686)	(5,499,249)	(5,504,540)
2600 - Depreciation	(163,070)	(167,240)	(165,790)	(165,790)	(165,790)	(165,513)	(165,513)	(165,513)	(216,601)	(216,601)
4200 - Finance Costs Internal	(141,607)	(130,430)	(105,254)	(104,790)	(173,602)	(185,234)	(180,139)	(195,098)	(223,731)	(244,411)
2401 - Operating expenses	(1,025,626)	(1,046,392)	(1,676,422)	(1,195,481)	(1,126,772)	(1,153,546)	(1,176,596)	(1,199,361)	(1,223,090)	(1,246,263)
4220 - Allocations	(190,512)	(187,107)	(197,836)	(292,155)	(291,640)	(212,899)	(223,739)	(227,844)	(235,690)	(243,650)
3602 - PPE Revaluation - (On-Corp Inc)	0	32,363	0	0	68,392	0	0	66,394	0	0
Surplus	538,144	771,697	240,113	296,729	415,761	200,513	440,544	574,914	545,305	601,692
Asset value in CWR - at cost	14,883,572	15,313,572	15,750,282	16,069,464	16,315,762	16,567,368	16,824,324	17,086,685	17,176,765	17,274,709
Asset value in CWR - WDV	18,794,366	13,963,283	11,330,753	11,464,236	11,524,774	11,599,742	11,649,184	11,713,833	11,687,699	11,495,724
<b>Housing - CAPEX</b>										
M108 - Convert 3 Bed into 2 One Bed Flats - Temuka then Pleasant Point	430,000	436,710	319,183	246,238	251,606	256,856	262,341	93,080	94,944	96,744
M107 - Renew Clyde St, Cameron Courts Temuka, Hufrey Street, Clyde Carr Court, King St, Pleasant point	125,000	125,000								
M109 - Upgrades - Painting Outside and Inside	159,000	153,300	156,575	160,098	164,130	167,580	171,195			
15 - Flats 1 General Healthy Homes and General Capex Works - Capital Renewal	80,000	81,760	83,720	85,648	87,536	89,376	91,256	93,080	94,944	96,744
	75,000	76,650	78,488							
Borrowings	2,735,150	3,004,620	3,138,183	3,387,852	3,528,082	3,762,762	4,101,313	4,474,612	4,888,215	5,301,177

The table shows that increases of \$10.00 per year are not quite enough and increases going forward would require to be in the \$20.00 to \$30.00 range. It is the only way to achieve a modest reserve fund for the future of the activity over the ten years.

### Summary

In summary, the staggered increase over the three years would be more bearable financially for tenants. If Council adopts a one-year or two year increase outside of the LTP increase, that will possibly put a financial burden on tenants but achieve a better financial position across the portfolio in a shorter time.

Over the 10-year projected term, increasing rents – even if staggered over 10 years, is projected to achieve a reserve. Over this time, Council will stay on track with capex upgrades and renewals on the existing units budgeted over the 10-year period, providing for the units themselves to be substantially viable and effective as a portfolio of 236 units. The key to this financial model is the direct repayment of the debt from surplus. The activity will require to be ring-fenced so that surplus is paying down debt, in the past any surplus has been pulled into the Council income and any capex has been borrowed which then incurred financial costs of borrowing. This outstripped any ability for the activity to pay down debt without significantly increasing rentals.

An inhibitor to Council maximising its return further on the activity is capping rentals at the lower end of the market rental spectrum. This usually represents an approximate 80% marker being the low end, 90% being the mid-range of the market rental spectrum and the high end representing 100% market rental. The extent of social subsidy that Council is comfortable to provide to its tenants is an area for further consideration by the Elected Members. The preferred option would be to keep the rentals capped at 80% of full market rental therefore attaining market rental whilst still providing rental relief to the lower socio-economic group who make up the tenant portfolio. This is in line with current Council Policy for Council Social Housing.

**6.1.2. Option 1b - Retain ownership and bring units up to standard, invest in further units** This option sees Council retaining the management and ownership of the portfolio.





### Discussion

The basis of the analysis of Option 1a is carried through to Option 1b though this option proposes that Council do three things:

1. Increase rentals over two years by 15% or between \$20.00 to \$26.00 per unit per week
2. Defer non urgent capex for three years
3. Pay down debt directly from surplus and then utilise depreciation reserve to begin capex programme again and use further surplus to invest in building new units

### Financial Modelling

This model follows the same principles as Option 1a but increasing rentals by 15% in year two and three of the LTP and directly paying down debt with surplus. This proposal further suggests that non urgent capex be deferred for three years to allow the depreciation reserves to increase. In three years, the capex programme could begin again utilising the depreciation reserves and all surplus income be directed to investment of new units.

Table 5 – Option 1b Financial Model

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Housing - OPEX</b>											
1.1 Revenue - increased	1,710,967	1,907,812	2,262,764	2,602,167	2,862,492	3,441,368	3,967,571	4,561,207	5,233,688	6,016,971	
1.2 Expenses	(1,400,131)	(1,620,132)	(1,843,367)	(1,401,838)	(1,512,162)	(1,866,111)	(1,649,696)	(1,619,443)	(1,664,616)	(1,696,699)	
2000: Depreciation	(106,494)	(106,837)	(171,890)	(174,294)	(176,541)	(189,899)	(189,555)	(191,430)	(193,324)	(207,361)	
4200: Finance Costs Internal - reduced	(136,696)	(126,796)	(117,111)	0	0	0	0	0	0	0	
2401: Operating expenses	(1,026,639)	(1,046,101)	(1,076,422)	(1,106,481)	(1,126,772)	(1,153,540)	(1,176,594)	(1,200,101)	(1,223,000)	(1,246,261)	
4200: Allocations	(160,112)	(187,187)	(187,890)	(202,151)	(209,640)	(212,669)	(221,796)	(227,644)	(233,689)	(243,658)	
3002: PPE Revaluation - (10th Compiling)	0	0	0	0	0	0	0	0	0	0	
Surplus	210,836	287,680	419,397	1,200,329	1,350,330	1,575,259	2,317,876	2,941,764	3,569,088	4,320,280	
Asset value in CWR - at cost	14,863,572	14,863,572	14,863,572	14,863,572	15,710,282	16,060,464	16,315,702	16,567,368	16,824,324	17,086,685	
Asset value in CWR - WDV	10,794,356	10,035,862	10,477,825	10,309,833	10,561,536	10,821,795	10,951,282	11,067,064	11,168,194	11,259,826	
<b>Housing - CAPEX</b>											
M105 - Convert 3 Beddles to 2 One Bed Flats - Temuka then Pleasant Point	0	0	0	630,000	636,710	215,183	246,230	251,606	256,966	262,361	
M167 - Renovate Clyde St, Cameron Courts Temuka, Hufley Street, Clyde Carr Cres, King St, Pleasant point				125,000	125,000						
M168 - Upgrades - Painting/Outside and inside				150,000	153,300	156,975	160,590	164,130	167,580	171,105	
15 - Flats 1 General/Housing/Homes and General Capex Works - Capital Renewal				80,000	81,760	83,720	85,640	87,530	89,376	91,256	
				75,000	76,620	78,400					
Borrowings	2,359,935	2,359,935	2,129,289	1,684,819							
Repayment	(270,576)	(444,455)	(499,367)								
				985,431							
Cash reserves				(985,431)	134,800	1,615,145	3,560,490	5,868,061	6,799,045	12,369,714	16,691,890
Depreciation reserve - CAPEX	158,494	316,131	468,526	232,828	(27,540)	(116,630)	(211,606)	(273,836)	(325,470)	(360,467)	
Cash + depreciation	158,494	316,131	(496,900)	205,288	1,587,596	3,343,474	5,654,472	6,526,007	12,844,243	16,311,132	
Interest rates	5.75%	5.00%	5.00%	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	
Current average depreciation rates	-1.00%	-1.00%	-1.10%	-1.14%	-1.12%	-1.18%	-1.10%	-1.10%	-1.22%	-1.21%	

### Summary

A summary of the required results in Scenario 1b and the subsequent forecast surpluses that will result from the deferment of non-urgent capex will allow Council to self-fund the development of new units.

#### 6.2. Option 2 – Lease to a Community Housing Provider

The high-level analysis of this option focussed on Council leasing its 236 units to a Community Housing Provider (CHP), with the two following sub options:

- (i) Lease to a CHP and use funds to pay down debt
- (ii) Lease to a CHP and reinvest in housing



There has not been the same extent of analysis on this option compared with option 1a and b – noting that Council will require to complete a full analysis and business case to understand better any benefits of this type of arrangement.

However, the following summarised points and observations relate to leasing directly to a CHP:

- The Timaru District is not serviced by any CHP's. Councils' current portfolio is likely to be notably attractive or viable to CHP's based on its size if one were to be interested.
- The lease of Council assets to a CHP or community trust may not result in the same return on the lease cost as opposed to retaining direct control.
- As noted, any return would likely not service any debt to reinvest in further units or housing.

In considering the option of leasing to a CHP and reinvesting in new housing, based on the understanding of the construction market, it may take some years to reach the same number of new units built as opposed to directly investing from surplus funds from rentals.

This option would need to be considered via consultation with the public due to the material change in the delivery of the service.

### 6.3. Option 3 – Create a JV or Trust

The high-level analysis of this option focussed on Council selling its some or all its units to the JV or Trust, with the two following sub options:

- (i) Partial sale or entire sale to the JV or Trust and using proceeds to pay down debt.
- (ii) Partial sale or entire sale to the JV or Trust and build new housing.

Like Option 2, there has not been a detailed analysis of this option. It would require direction by Council to explore this option and supported by a full analysis and business case, consultation with the public due to the change in service of this Council activity.

A JV or Trust may need to change how it approaches the rental offerings to the general market dependent on where and what funds it accesses for further development. Funds from Central Government usually require open tenancing as a requirement of accessing funding with people taken directly from WINZ or MSD waiting lists. Mixed tenancies of ages, demographics and other factors can create undesirable and unsafe community environments and pockets of further unintended community deprivation and need.

Like in option 2, the further option of reinvesting in housing, would need careful consideration by Council. There could be a range of options for Council to consider outside of traditional retirement housing developments, however most notably this would need to be considered through detailed consultation with community, who through previous Long Term Plans did not identify or request investment in retirement housing by Council.





#### **6.4. Further Option – Sell to the open market**

The high-level analysis of this option focussed on Council selling its 236 units to the open market, with the two following sub options:

- (i) Sell to the market and use proceeds to pay down debt
- (ii) Sell to the open market and build new housing

Like Options 2 and 3, there has not been the same extent of analysis for this further option, as this is a suggestion with no clear guidance from Council to explore this option in detail.

In exploring this option, we have not committed Council to a full valuation exercise, we have taken the QV value as an indication of possible capital realisation. If units along with the associated land areas were released to the market in pockets of units, the chance of realising the full market value would be reasonably high. The overall portfolio would not realise a market value if sold in full due to the QV value sitting at approximately \$42m at the time of writing this report.

As with the sale of housing to a CHP, the few Councils that have proposed to and/or sold their housing portfolios to private owners have received considerable heat and backlash, both from tenants and the public. Even with negotiated outcomes relating to rental impacts or other changes for tenants being negotiated as part of the sale, Council would be limited in its means to enforce any of these similar further terms and conditions of sale.

As also experienced with the sale of Housing New Zealand Properties in locations particularly of high density, there have been considerable unanticipated impacts. These have been noted earlier in this report, but the resulted mix of tenancies of ages, demographics and other factors have created undesirable and unsafe community environments and pockets of further unintended community deprivation and need.

Like in option 1 and 2, the further options of reinvesting in housing, would need careful consideration by Council. There could be a range of options for Council to consider outside of traditional retirement housing developments, however most notably this would need to be considered through detailed consultation with community, who again through previous Long Term Plan Consultations have not identified investment in retirement housing as a priority for Council.

#### **7. Findings and Recommendations**

In completing this review, Council has exceeded the rigour and requirements set as best practice by the Society of Local Government Managers (SOLGM) in the review of this activity in accordance with Section 17a of the Local Government Act 2002.

The following conclusions and recommendations are made:



- The retirement housing activity is impacted by government policy and has conflicting requirements to meet rental standards, be self-sufficient and provide affordable housing for the target market. The review has confirmed that the status quo approach, without capital investment, rates offset or notable increases to rents is sustainable. The underlying requirement for the activity to increase revenue has been recommended as the key approach for the sustainability of the portfolio in the short and longer term, regardless of the option adopted.
- Minimising the impact on existing tenants has been a key consideration through the review, while achieving the financial viability and sustainability of the assets. There is a very low number of current tenants that have assets and/or income that does not make them eligible for Ministry of Social Developments Accommodation Supplement.
- It has been identified that there is headroom to increase rents, with the impact on those who can access the accommodation supplement minimal if rents were around the 15% mark. For those who cannot access the accommodation supplement, they will experience the full impact of rent increases, however these are tenants who may have a greater likelihood to financially absorb the increases. Revenue assumptions in this review have focussed on increases up to the accommodation supplement entitlement, however rents could be increased to market rental if that was the appetite of Council.
- It is recommended that fees are increased by a minimum of 15% across the board in the future after the initial increase of \$10.00 per unit for the 2024/2025 financial year. It is preferable for the financial viability of the portfolio in the short term, to make the increases over a two- or three-year period.
- Financial Modelling shows that increasing rents by 15% per unit a week for the final two years of the Long Term Plan 2024 2034 achieves a surplus to retire debt and if a deferment of non-urgent capex was achieved for the next three years then depreciation reserves would build up and the surplus put entirely to retiring debt. This would put the activity in surplus sooner and allow the development and investment in new units possible by year four of the new proposed financial model.
- Asset Management of the portfolio has been updated, and while the assets are in generally medium to high condition, the full extent of work required particularly to scope out major upgrades will take time and attention. As part of the ongoing sophistication of asset management practices, further detailed renewal profiling will be completed to help fully inform Councils understanding of future renewal and upgrades required of its portfolio.
- If Councils aspiration and resolve is to build more flats without a debt facility and providing a social subsidy is not an imperative, Council could consider increasing rents to market value. Increasing rents to market value across the overall portfolio, would generate additional revenue over ten years, above the forecast surplus Y10. This would place at a minimum of tenants in financial difficulty, the majority do receive financial assistance of some kind.



- The Timaru District has no access to CHP's. Experiences of other Councils that have sold to CHP's, are that the realisation of new units upon the sale is limited if that were what Council would like to achieve. The price of sale to many CHP's has been at levels well below market value and in many circumstances, CHP's require an incentive to partner in certain locations, such as the provision of land at low or no cost, and other one-off or ongoing financial incentives from Council.
- The sale and/or significant reinvestment in retirement housing is a decision that would require public consultation before any costs incurred with business case analysis. To this end, selling the assets on the open market or to a CHP is not a recommended approach currently. The current period of political and economic uncertainty, particularly in relation to the contextual factors associated with the national review for Water Done Well, may mean that retaining retirement housing could position Council well for other housing or community services in the future. It is recommended Council consider how it can leverage its portfolio for the construction of new properties, upon there being greater clarity on the next stages of the Water Done Well review, and any subsequent political environment changes.
- Council should consider deferring non-urgent capex for the next three years and make provision via surpluses, of at least \$1 million for the development of housing if Central Government enables or provides access to the 50% suspensory grant loans that came to an end in 2014, or other grant funding is enabled through Crown Infrastructure Partners or similar. For Council, this will be a major enabler of housing and make the overall proposition of the development of new housing highly feasible.
- The sale of the portfolio on the open market is not recommended. Potential market values of the portfolio based on QV valuation sits at \$42 million.
- A full list of recommendations and actions identified from this review are appended to this report, and it is recommended that that are prioritised for implementation

## 8. Conclusion

This review of Timaru District Councils Retirement Housing Portfolio has been completed in accordance with s17a of the Local Government Act 2002 and based on guidance from SOLGM's best practice guides for Section 17a Review. This review has exceeded that best practice in terms of scope and options considered.

Timaru District Council has been a great support in housing of its more vulnerable people in it's society, and now clearly articulated through Draft Housing Strategic Framework 2024 2034. Council also has several other strategic priorities, that will require the full availability of its debt funding capacity to address these priorities, it requires a new financial model to complete the self-funding model for the portfolio of units.

At this time, it is recommended that that best approach to deliver on its housing aspirations for its people is to address the fundamental issue with the current funding model in authority and



approve the change to the approach for the portfolio and prepare the portfolio to be leveraged for future opportunities in the future.

It is further recommended to increasing rents as soon as possible. As a minimum rent should be increased by \$10.00 as per the LTP and then at least 15% per unit per week in the second year and 15% the third year and Annual Plan or Long Term Plan resolution thereafter.

While not potentially fully transformational, this review will provide a strong stable and solid platform for the retirement housing portfolio to position itself well for the future. A swift move, particularly to increase rentals and supported by a change to the financial model, will place Council in a strong position to further leverage its current asset portfolio for housing in the wider sense for the future.

**9. Action Summary List:**

	<b>Action Description</b>	<b>Priority</b>
1	Review the current financial model so that the portfolio is fully self-funding, defer non-urgent capex for three years to allow depreciation reserves to increase and surplus reserves to build.	High
2	Implement an increase in rentals to the accommodation threshold as soon as possible.	High
3	Within one year, seek to achieve a 'core' level of Asset Management sophistication for the portfolio.	Medium
4	Plan to review the financial performance of the Retirement Housing Portfolio in 2026 in detail again, ahead of the 2027 Long Term Plan to confirm the financial viability and effectiveness of the portfolio.	Medium
5	Continue to support, no less than 12 monthly access to the accommodation supplement for tenants.	Medium
6	Model development opportunities for retirement housing and test the validity and values of these to have prepared if Council can access suspensory loans or other grants for housing.	Low

Appendix 1



# Timaru District Council

## Draft Council Housing Strategic Framework 2024 – 2034



Timaru District Council Housing Strategic  
Framework 2024-2034



Supporting our community to THRIVE through access to a home. Thriving Together.

## Our Vision

*"Shelter, one of our most basic human rights, is met through the provision of housing."*

Having a place to call home leads to a sense of security and a foundation from which we make plans, build and maintain whanau and community networks, and more fully participate in society. Living in safe and suitable housing is a major contributor to our physical and mental health and overall wellbeing.

For some people, accessing safe and suitable housing through normal market channels is difficult. Inadequate or unsuitable housing can impact negatively upon lives. Council is working to ensure that our entire community can Thrive. To Thrive, Council recognizes that some community members need assistance to access safe and suitable housing.

## How we are going to do it

The issue of housing is complex, and Council alone cannot provide or address all housing needs. However, we recognize there is a role we can play, alongside other partners. This is Timaru District Council's first Housing Strategy. It outlines our thinking and planning for housing for the next ten years.

The scope of what this strategy could include is immense. Into the future, we want to be able to support our community across the spectrum of housing issues. However, for the first ten years, we are focused on delivering on housing issues that impact the most vulnerable in our community.

Currently, supporting the general rental market and home ownership is out of scope of this strategy. While Council in its other mechanisms as a Local Authority has regulatory influence over these areas, we do not intend to work actively in these areas in the immediate future.

Looking to the future, we know our population is growing. In just under 20 years, people aged 65 years and older will make up one-third of our population, and our household numbers will increase. While we focus on the immediate need in this strategy, we remain aware of the need to look and plan. Recognizing this pace of change, we are proposing to review this strategy in 2026.

We look forward to working alongside our providers to make our aspirations a reality, whilst actively holding ourselves to our strategic goals outlined in this strategic framework.





## Strategic Goals 2024-2034

Four strategic goals will guide the Timaru District Council in defining its role and contribution to housing over the next ten years. Achieving the vision of 'supporting our community to Thrive through access to a home' will be transformational for some in our community, ensuring they have access to the basic need of housing.

### Goal One: Leading the Way in Social Housing in the Canterbury Region

**Result:** We are recognized as leaders in the Canterbury Region for addressing social housing outcomes for Timaru District. **Actions:**

- Participate in national working parties addressing regulation and barriers to support social housing outcomes.
- Advocate to Central Government and social housing providers, raising concerns, promoting needs, and finding workable solutions.
- Seek out Central Government pilot opportunities for innovative and new means of addressing social housing issues.

**Result:** We achieve outcomes by holding ourselves accountable for delivering on this strategy. **Actions:**

- Monitor and report on the progress made in the Housing Strategy regularly.
- Monitor housing trends and community concerns.
- Undertake a review of the Housing Strategy in 2026, 2028 and 2030.

### Goal Two: Working Together to Improve Housing

**Result:** There is a collective understanding of housing needs for the Timaru District. **Actions:**

- Hold an Annual Housing Meeting to keep abreast of housing needs, report on progress, and build relationships.
- Remain active members of regional housing coalitions, advocating for housing issues at a regional level.

**Result:** Effective multi-disciplinary partnerships coordinate action to meet housing needs. **Actions:**

- Develop a local operational framework to support social housing issues.
- Establish a local group of people involved in social housing to build professional relationships and provide local knowledge.
- Develop a Social Housing Barrier Action Plan for implementation.



- Establish relationships with local Iwi to support the implementation of their housing aspirations.
- Identify other revenue opportunities, including external funding from Central Government.

### **Goal Three: Providing Access to Suitable Housing**

**Result:** We have met the housing needs of those in our community in the greatest need.

**Actions:**

- Work with Central Government to identify local emergency and transitional housing properties as a priority.
- Continue to work with Central Government as a strategic partner to facilitate and deliver social housing outcomes.
- Create local connections between Central Government, Community Housing Providers (CHPs), and developers to increase social housing supply.

**Result:** Those in need of social housing are housed and have the appropriate support structures to fully participate in life. **Actions:**

- Explore and advocate for opportunities to address complex social issues that families face, which are barriers to housing.

**Result:** Our Timaru District people can retire in Timaru District. **Actions:**

- Develop local relationships with existing service providers to facilitate the expansion of their services.
- Establish relationships with large-scale aged care providers to identify and facilitate opportunities for large format retirement services and accommodation.
- Develop long-list options to consider how Council's retirement housing can support increased provision and supply of retirement housing.

### **Goal Four: Social Housing is Provided in the Most Efficient and Effective Way**

**Result:** Our retirement housing is sustainable and managed to provide the most efficient and effective outcomes to our community in the widest sense. **Actions:**

- Complete a s17A review of social housing to support the implementation of the strategy and address any sustainability issues.
- Implement the outcome of the s17A review of the retirement housing portfolio, including its role, demand, financial and operational performance, and potential operating models.





# Timaru District Council

## Draft Council Housing Strategic Framework 2024 – 2034



## Timaru District Council Housing Strategic Framework 2024-2034

Supporting our community to THRIVE through access to a home. Thriving Together.

### Our Vision

*“Shelter, one of our most basic human rights, is met through the provision of housing.”*

Having a place to call home leads to a sense of security and a foundation from which we make plans, build and maintain whanau and community networks, and more fully participate in society. Living in safe and suitable housing is a major contributor to our physical and mental health and overall wellbeing.

For some people, accessing safe and suitable housing through normal market channels is difficult. Inadequate or unsuitable housing can impact negatively upon lives. Council is working to ensure that our entire community can Thrive. To Thrive, Council recognizes that some community members need assistance to access safe and suitable housing.

### How we are going to do it

The issue of housing is complex, and Council alone cannot provide or address all housing needs. However, we recognize there is a role we can play, alongside other partners. This is Timaru District Council's first Housing Strategy. It outlines our thinking and planning for housing for the next ten years.

The scope of what this strategy could include is immense. Into the future, we want to be able to support our community across the spectrum of housing issues. However, for the first ten years, we are focused on delivering on housing issues that impact the most vulnerable in our community.

At this time, supporting the general rental market and home ownership is out of scope of this strategy. While Council in its other mechanisms as a Local Authority has regulatory influence over these areas, we do not intend to work actively in these areas at this time.

Looking to the future, we know our population is growing. In just under 20 years, people aged 65 years and older will make up one-third of our population, and our household numbers will increase. While we focus on the immediate need in this strategy, we remain aware of the need to look and plan ahead for the future. Recognizing this pace of change, we are proposing to review this strategy in 2026.

We look forward to working alongside our providers to make our aspirations a reality, whilst actively holding ourselves to our strategic goals outlined in this strategic framework.

## Strategic Goals 2024-2034

Four strategic goals will guide the Timaru District Council in defining its role and contribution to housing over the next ten years. Achieving the vision of 'supporting our community to Thrive through access to a home' will be transformational for some in our community, ensuring they have access to the basic need of housing.

### Goal One: Leading the Way in Social Housing in the Canterbury Region

**Result:** We are recognized as leaders in the Canterbury Region for addressing social housing outcomes for Timaru District. **Actions:**

- Participate in national working parties addressing regulation and barriers to support social housing outcomes.
- Advocate to Central Government and social housing providers, raising concerns, promoting needs, and finding workable solutions.
- Seek out Central Government pilot opportunities for innovative and new means of addressing social housing issues.

**Result:** We achieve outcomes by holding ourselves accountable for delivering on this strategy. **Actions:**

- Monitor and report on the progress made in the Housing Strategy regularly.
- Monitor housing trends and community concerns.
- Undertake a review of the Housing Strategy in 2026, 2028 and 2030.

### Goal Two: Working Together to Improve Housing

**Result:** There is a collective understanding of housing needs for the Timaru District. **Actions:**

- Hold an Annual Housing Meeting to keep abreast of housing needs, report on progress, and build relationships.
- Remain active members of regional housing coalitions, advocating for housing issues at a regional level.

**Result:** Effective multi-disciplinary partnerships coordinate action to meet housing needs.

**Actions:**

- Develop a local operational framework to support social housing issues.
- Establish a local group of people involved in social housing to build professional relationships and provide local knowledge.
- Develop a Social Housing Barrier Action Plan for implementation.
- Establish relationships with local Iwi to support the implementation of their housing aspirations.
- Identify other revenue opportunities, including external funding from Central Government.

**Goal Three: Providing Access to Suitable Housing**

**Result:** We have met the housing needs of those in our community in the greatest need.

**Actions:**

- Work with Central Government to identify local emergency and transitional housing properties as a priority.
- Continue to work with Central Government as a strategic partner to facilitate and deliver social housing outcomes.
- Create local connections between Central Government, Community Housing Providers (CHPs), and developers to increase social housing supply.

**Result:** Those in need of social housing are housed and have the appropriate support structures to fully participate in life. **Actions:**

- Explore and advocate for opportunities to address complex social issues that families face, which are barriers to housing.

**Result:** Our Timaru District people can retire in Timaru District. **Actions:**

- Develop local relationships with existing service providers to facilitate the expansion of their services.
- Establish relationships with large-scale aged care providers to identify and facilitate opportunities for large format retirement services and accommodation.
- Develop long-list options to consider how Council's retirement housing can support increased provision and supply of retirement housing.

**Goal Four: Social Housing is Provided in the Most Efficient and Effective Way**

**Result:** Our retirement housing is sustainable and managed to provide the most efficient and effective outcomes to our community in the widest sense. **Actions:**

- Complete a s17A review of social housing to support the implementation of the strategy and address any sustainability issues.
- Implement the outcome of the s17A review of the retirement housing portfolio, including its role, demand, financial and operational performance, and potential operating models.





## Housing insights report

**Timaru District Council**  
**Final Report**

28 August 2024

Commercial in Confidence



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HOUSING INSIGHTS REPORT | 2

## Preface

*This report has been prepared for Timaru District Council by Susan Burns and Cathryn Lancaster from MartinJenkins (Martin, Jenkins & Associates Ltd).*

For over 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally. Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

We are recognised as experts in the business of government. We have worked for a wide range of public-sector organisations from both central and local government, and we also advise business and non-profit clients on engaging with government.

Kei te āwhina mātau ki te whakapai ake i a Aotearoa. We are a values-based organisation, driven by a clear purpose of helping make Aotearoa New Zealand a better place. Our firm is made up of people who are highly motivated to serve the New Zealand public, and to work on projects that make a difference.

Established in 1993, we are a privately owned New Zealand limited liability company, with offices in Wellington and Auckland. Our firm is governed by a Board made up of Partners Nick Davis, Allana Coulon, Richard Tait, Sarah Baddeley, and Nick Carlaw, as well as Independent Director Sophia Gunn and Independent Chair David Prentice.



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HOUSING INSIGHTS REPORT | 3



## Executive summary

### Timaru District Council has 236 housing units

Like many other councils, Timaru District Council has been providing council housing for the local community for some years. These units are intended to provide affordable one-bedroom accommodation for low-income members of the community.

Like council housing in many other parts of the country, Timaru District Council's units are mainly for pensioners.

### Your wider housing market faces some pressure

Unlike many other districts, Timaru has relatively affordable housing. The median sales price was \$495,000 in January 2024.

However, even with relatively affordable housing, there is housing pressure. One-quarter of households (26%) pay more than 40% of their income on rent, with 19% paying more than 50%.

Timaru has also seen one of the highest annual changes in the number of people registered on the Housing Register, with an increase of 38% in the year ending January 2024, and a 283% increase since 2019.

### You want to understand trends in the community housing sector

So that you can meet future housing needs, the Council wants to understand how effective and cost-effective its current delivery model is, both now and for the future.

As part of this, the Council wants to identify levers it can use to sustainably support housing in the future, and to identify options for expanding its housing role.

### Councils are exploring new approaches and models

Many councils are considering how they deliver council-owned housing and some have taken different approaches. In this context, there are four important levers available to support change.

#### Composition of the portfolio

This focusses on changes such as selling assets and redevelopment. For example:

- sales and transfers to Kāinga Ora (Nelson City Council)
- transferring assets to other entities (Carterton District Council)

- selling to a community housing provider (Horowhenua District Council), and
- redevelopment (Palmerston North City Council).

#### Delivery mechanisms

Some councils are shifting to independent delivery models through establishing new entities. For example:

- establishing a community housing provider (Ōtautahi Community Housing Trust)
- establishing a council-controlled trading organisation (Hutt City Council), and
- establishing a joint venture (Auckland Council).

#### Scope of service delivery

This focusses on changes such as outsourcing some aspects of housing delivery. For example:

- outsourcing tenancy management (Waimate District Council).

#### Policy settings

This focusses on internal policy changes. For example:

- changes to eligibility criteria (Hastings District Council).



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HOUSING INSIGHTS REPORT | 4



## Executive summary (continued)

### Councils are also considering levers for affordable housing

Councils and other housing providers are starting to explore new innovative housing products at the top-end of the housing continuum to support their communities, with a focus being on the supply, purchase, and rental of affordable housing.

#### Demand side interventions

These aim to support households to rent or own. Examples include:

- rent to buy, such as Tamaki Regeneration's rent to buy
- shared equity, such as YouOwn's co-ownership model
- affordable rentals, such as Wellington City Council's Te Kāinga, and
- leasehold, such as Queenstown Lakes Community Housing Trust's Secure Home.

#### Supply side interventions

These aim to increase the supply of affordable housing. Examples include:

- inclusionary zoning, such as Queenstown Lakes District Council

- council partnerships, such as Nelson City Council's Housing Reserve Grants Programme, and
- build to rent, such as Kiwi Property's Resido.

### The options you explore further depend on your housing market and housing strategy

Depending on the housing strategy and approach you want to take in your district, there are three potential scenarios to help explore the different options that you might want to consider:

**Scenario 1** involves no change to your current operating approach. You would focus on changes to policy settings (such as rents and customer focus) and the scope of the service.

**Scenario 2** focusses on optimising and expanding your portfolio. You would focus on the same changes as in scenario 1 (to policy settings and the scope of the service), but also on the composition of the portfolio and your delivery mechanisms.

**Scenario 3** focusses on expanding into new initiatives. You would focus on the same changes as under scenario 1 and 2, but also demand- and supply side interventions.

### Your funding strategy depends on four considerations

To be able to short-list viable options, there is also a need to define your funding strategy. To do this, you need to understand:

- your current state, including the financial sustainability of the current approach
- your housing strategy, including having a clear vision for the portfolio
- your financial position as a council, including your overall financial position and capability, and
- funding availability, including what demand there is to support housing provision and who the potential funders are.

A summary of funding sources other councils have used to deliver against their housing objectives is included later in this report. We present a table that outlines possible funding sources for the three scenarios outlined above.

The funding sources identified are not exhaustive and there is opportunity for councils to develop their own innovative approaches to funding to meet their unique circumstances.



## Key findings

The **Timaru housing market is relatively affordable**. However, even with relatively affordable housing, there is **still housing pressure**. In 2018, a quarter of households (26%) paid more than 40% of their income in rent, with 19% paying more than 50%.

Your **housing portfolio is large compared** to other councils of similar size. You are the second-largest provider of housing support in Timaru, after Kāinga Ora.

**Demand for housing support is also increasing**. Timaru saw one of the highest annual changes to the number registered on the Housing Register, with an increase of 38% in the year ending January 2024, and a 283% increase since 2019.

Unlike Timaru District Council, **many councils cannot sustainably fund the provision of housing** through rental income. Those that can't often rely on council contributions through rates and debt.

**Some councils have established arm's length housing entities** to access income-related rental subsidies. The subsidy targets portfolio growth so does not necessarily address the underlying challenges of financial operating sustainability.

**A few councils are implementing demand side affordable housing tools such as shared equity**, often through the establishment of a trust. They then use non-council funding sources to manage supply and demand for their affordable housing solutions.

Councils have **access to numerous funding sources** and there hasn't been a prevailing approach to funding. Situational and circumstantial factors have been the driver for most funding strategies, including availability of government grants and council balance sheet strength.

There is **growing demand and interest from the private sector to invest in community housing**. This is accompanied by and growing demand and interest from the not-for-profit sector to become providers of community housing. Councils have the opportunity to work with these sectors.

There is **no single trend in the approaches councils are taking**. Councils are choosing options that best suits their needs, circumstances, and strategy. The market is open for councils to innovate in how they deliver community housing.



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HOUSING INSIGHTS REPORT | 6

## Introduction

### Timaru District Council manages and maintains 236 housing units

The Council provides a mixture of studio and one-bedroom units to low-income members of the community. The Council leads the day-to-day management of these housing units, including handling applications, processing rent, maintaining the properties, and liaising with tenants. Upgrades to some units are also underway.

Currently, the income the Council receives from rents covers the costs of providing housing services, with no contribution from ratepayers required.

### Demand for housing support is increasing

Although Timaru District Council's current housing model sustainably supports its 236 housing units, the model is unlikely to meet the future needs of the community. Demand for smaller and more affordable housing units is increasing.

Further, housing stress is on the rise across the community. The number of Timaru-based applicants on the national housing register per 10,000 people has increased by 225% over the last five years.

### The Council wants to ensure it meets its future community housing needs

So that it can support future housing needs, Timaru District Council wants to understand how effective and cost-effective its current delivery model is, both now and for the future. The Council is therefore carrying out a review of its housing services under Section 17A of the Local Government Act 2002.

As part of this review, the Council wants to identify levers it can use to sustainably support housing in the future, and to identify options for expanding its housing role. The Council also wants to understand alternative models for supporting housing within the community, such as shared/progressive home ownership ("YouOwn") and rent to buy.

### The Council wants to understand trends in the Council housing sector

Timaru District Council commissioned MartinJenkins to identify the trends across the community housing sector, and what other councils and housing providers are doing to meet their communities' needs.

This report gives you a snapshot of the trends across the sector and provides you with options that you can use to refine the scope of the Section 17A review.

The options cover two distinct areas:

- levers as a council housing provider, and
- levers for affordable housing.

This is not an exhaustive list of all the approaches being taken, rather it is summary of the key approaches and trends across the sector.

We have also explored potential funding sources that are available to Timaru District Council to deliver these options.



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HOUSING INSIGHTS REPORT | 7

# Council housing in Timaru and Canterbury



# Timaru's housing market presents challenges

## Timaru has a population of around 48,000 people

Timaru District covers 2,737 square kilometers of South Canterbury, with the Rangitata and Pareora rivers naturally defining its northern and southern boundaries.

Timaru District had around 48,000 residents in 2023. This is up 0.8% from a year earlier, compared to 2.1% growth across New Zealand over the same period. Population growth in Timaru District averaged 0.5% per year over the five years to 2023, compared with 1.3% per year nationally.

The district's population is also getting older. Nearly a quarter (23%) are over the age of 65, compared with 16.5% for the whole of New Zealand. Around 17% of residents are under the age of 15, compared to 18.5% for the whole of New Zealand.

Population projections for Timaru depend on different growth scenarios. In a high-growth scenario, the population could grow to 53,600 by 2033, grow to 49,700 in a median growth scenario, or decline to 45,900 in a low-growth scenario. The average annual population change to 2048 for Timaru would be 0.6% in a high-growth scenario, 0.1% with median growth, and -0.5% with low growth.

Timaru is also one of 24 districts expecting to see a natural decrease by 2033 – that is, more deaths than births. The proportion of the Timaru population aged 65 and older is expected to rise to 30% by 2038. Timaru is not the only district with an ageing population, but the district already has a higher proportion of those aged 65 and older than nationally.

## Timaru has a complex housing system

Unlike many other districts, Timaru has relatively affordable housing. The median sales price was \$495,000 in January 2024, an increase from \$345,000 in December 2018.

In comparison, the median sales prices in neighbouring areas at the same time (January 2024) are:

- \$430,000 in Waimate
- \$513,000 in Ashburton
- \$662,000 in Christchurch, and
- \$790,000 in Selwyn.

However, even with relatively affordable housing, there is still housing pressure. In 2018, a quarter of households (26%) paid more than 40% of their income in rent, with 19% paying more than 50%.

Demand for housing support is also increasing.

Timaru saw one of the highest annual changes to the number of people registered on the Housing Register, with an increase of 38% in the year ending January 2024, and a 283% increase since 2019.

Timaru has only 417 Kāinga Ora public houses. There is no community housing provided by community housing providers, and there are only five transitional houses in the Canterbury region outside of Christchurch.

The supply of new houses is also relatively low, with 38 building consents per 10,000 people.

In comparison, here are building consents per 10,000 people for other districts in the area:

District	Consents
Waimate	24
Waitaki	38
Ashburton	73
Kaikōura	80
Mackenzie	100
Hurunui	101
Christchurch City	102
Waimakariri	110
Selwyn	150



## Timaru's housing market presents challenges (continued)

### Timaru's demographics



**47,907**

Timaru population  
as at Dec 2021



**23%**

of the population  
is aged over 65



**Changing  
population**

Timaru's projected  
population change to  
2048 could grow by  
0.6%, or decline by 0.5%

Stats New Zealand, 2022

### The Timaru housing continuum and market

<p>The number of households in <b>severe housing deprivation</b> in Timaru is <b>24 per 10,000</b>.<sup>1</sup></p>	<p><b>9 households</b> are receiving <b>Emergency Housing Special Needs Grants</b> in Timaru – including 6 children – as of Dec 2023.<sup>2</sup></p>	<p>Timaru has one of the highest annual changes to those registered on the Housing Register – <b>increase of 38% for the year ending Jan 2024</b>, with a <b>283% increase since 2019</b>.<sup>1</sup></p>	<p><b>Lower-quartile weekly rent was \$350</b> in Dec 2023 in Timaru, an increase from \$280 in Dec 2018. <b>Average weekly rent was \$420</b>, up from \$325 in Dec 2018.<sup>1</sup></p>	<p><b>26% of households paid more than 40% of their income in rent in 2018</b> in Timaru, with 19% paying more than 50%.<sup>1</sup></p>	<p>The <b>median sales price in Jan 2024 was \$495,000</b>, an increase from \$345,000 in Dec 2018. The lower-quartile sales price was \$405,000 in Jan 2024, compared with \$282,000 in Dec 2018.<sup>1</sup></p>	
<b>Rough sleepers</b>	<b>Emergency and transitional housing</b>	<b>Public housing</b>	<b>Assisted rental</b>	<b>Market rental</b>	<b>Progressive home ownership</b>	<b>Full home ownership</b>
	<p>There are <b>only 5 transitional houses</b> in the <b>Canterbury region outside Christchurch</b> as of Jan 2024.<sup>1</sup></p>	<p>There are <b>417 Kāinga Ora public houses</b> in Timaru, with an additional 5 houses developed since 2019.<sup>1</sup> <b>No community housing</b>.<sup>1</sup></p>		<p>There were <b>757 total residential sales in the month of Dec 2024</b> in Timaru, compared with 980 in Dec 2018.<sup>1</sup></p>		<p><b>34 building consents per 10,000 people</b> in Timaru for the year ending February 2024.<sup>1</sup></p>

1 Ministry of Housing and Urban Development  
2 Ministry of Social Development



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HOUSING INSIGHTS REPORT | 10



## Your council housing provides a core community service

### Timaru District Council has 236 housing units

The Council has housing units in Timaru, Temuka, Geraldine, Pareora, and Pleasant Point. These units are intended to provide affordable one-bedroom accommodation for low-income members of the community.

The units are either one-bedroom or bedsits, with each being part of a larger communal property. There are usually between 6 and 18 units on any one site.

#### Eligibility

As in many other parts of the country, Timaru District Council's units are mainly for pensioners. To be eligible, applicants must:

- be receiving NZ Superannuation, a Veteran's Pension, an Assisted Living Payment (health condition), or another equivalent permanent benefit
- need housing
- have an income that is not more than the income limit for the Non-beneficiary Accommodation Supplement, and
- be able to care for themselves independently.

#### Rents

The rent depends on the location and the number of tenants:

Accommodation type	Cost
Bedsit for 1 tenant	\$110 - \$115
Bedsit for 2 tenants	\$130 - \$135
1-bedroom unit for 1 tenant	\$126 - \$171
1-bedroom unit for 2 tenants	\$146 - \$186

There is currently a waitlist of 9 people, down from 50 recently.

### Your housing services fund themselves

#### Operating costs

Rental income currently funds the full operating costs for both tenancy management and asset-management services. Those services therefore don't need any additional funding.

For this report, these costs are defined as follows:

- **Tenancy management** – costs associated with allocating assets to customers and collecting income from them.

- **Asset management** – costs that are regular, ongoing expenses to keep the assets in good working condition.

Rentals are set each year and typically increase \$5 to \$10 per year.

The costs of renewing and maintaining the assets is currently funded by the Council through its reserves.

#### Capital costs

Capital costs are based on an asset management plan and are budgeted for on a life-cycle basis, annually.

These costs are capitalised and defined as follows:

- **Renewals and maintenance** – costs that are incurred in replacing or improving property, and equipment in order to increase the asset's functionality, or extend its life, or make it more efficient.



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HOUSING INSIGHTS REPORT | 11

## Council housing is provided across the Canterbury region

### Almost all Canterbury councils provide council housing

Seven councils in the Canterbury region continue to own and provide council housing in some form:

- **Waimakariri District Council** owns and manages 110 units in Woodend, Oxford, Kaiapoi, and Rangiora.
- **Ashburton District Council** owns and maintains 102 units across Ashburton, Methven, and Rakaia.
- **Waitaki District Council** owns and manages 91 units in Oamaru, Hampden, and Palmerston.
- **Hurunui District Council** owns and manages 34 units across Amberley, Waikari, Hanmer Springs, Waiau, and Cheviot.
- **Waimate District Council** owns 27 units, with tenancy managed by real estate agency LJ Hooker.
- **Kaikōura District Council** owns and manages 16 1- and 2-bedroom pensioner cottages.
- **Mackenzie District Council** owns and manages 12 units in Fairlie and Twizel.

**Selwyn District Council** does not provide any form of council housing. **Ōtautahi Christchurch** is discussed further on in this report.

### Eligibility is mainly focussed on pensioners

Across the seven councils, the main customers of council housing are those over 65 – although Waitaki District Council has a lower age limit of 60.

A few councils do provide housing services for families and workers in their districts:

- **Kaikōura District Council** works with Te Whare Putea, which manages seven temporary housing units for the Council, used for individuals with urgent housing needs.
- **Hurunui District Council** also has accommodation units in Waiau Village to support families, couples, and individuals with a housing need who want to live and work in this area.

All the Councils have a focus on low-income applicants with limited assets.

### Rents are set differently across councils

As with Timaru District Council's housing, rents are often set depending on the size of the units and the number of tenants. Some councils use different pricing approaches.

For example:

- **Mackenzie District Council** sets rents at 80% of current market rental and no more than one-third of the current National Superannuation payment.
- **Ashburton District Council** sets rents based on international standards of affordability, whereby tenants pay no more than 30% of their gross household income on housing costs.
- **Hurunui District Council** set rents based on a percentage of estimated market rental and the priority category of the applicant.

Eligibility and rental prices for council housing in Canterbury are summarised on the next page, with more detailed information in **Appendix 1**.

### Some councils are expanding their housing portfolios

Ashburton District Council is also in the process of redeveloping 16 units at Friendship Lane. This \$3 million project is being funded by a range of sources, including external funding, a previous property sale, and loan funding.

Ashburton District Council has also entered into leasing arrangements with the Ashburton Housing & Support Trust.



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HOUSING INSIGHTS REPORT | 12

## Summary of council housing in the Canterbury region

COUNCIL	# OF UNITS	OWNERSHIP / MANAGEMENT	ELIGIBILITY	RENT (L)	RENT (H)
<i>Timaru</i>	<b>236</b>	Owens and manages	Receiving pension or benefit Low income Can care for self independently	\$110	\$186
<i>Ashburton</i>	<b>102</b>	Owens and manages	Over 65 – Limited assets and income – Can care for self independently	\$130	\$150
<i>Waimakariri</i>	<b>110</b>	Owens and manages	Over 65 – Do not own property or limited assets – Can care for self independently	\$180	\$256
<i>Waitaki</i>	<b>91</b>	Owens and manages	Over 60 – Limited financial means – Sometime consider other applicants	\$145	\$229
<i>Hurunui</i>	<b>34</b>	Owens and manages	Older persons – People with health problems – Sometimes consider other applicants	\$127	\$175
<i>Waimate</i>	<b>27</b>	Owens / tenancy managed LJ Hooker	Over 65 – With medical conditions	\$160	\$190
<i>Kaikōura</i>	<b>16</b>	Owens and manages	Over 65 – Do not own property or limited assets	\$125	\$185
<i>Mackenzie</i>	<b>12</b>	Owens and manages	Over 65 – Low-income	\$155	\$205



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HOUSING INSIGHTS REPORT | 13

# Considering the available options

## Council housing accounts for over 12,000 tenancies across Aotearoa

Local government is New Zealand's third-largest provider of social housing, behind Kāinga Ora and community housing providers.

### Council houses originate from government low-interest loans

Council housing, also referred to as "pensioner housing" and "community housing" depending on the location, originates from the low-interest loans provided by central government in the 1950s and '60s for councils to develop pensioner housing. With councils taking care of older citizens, central government could focus on low-income families.

Pensioner houses were usually complexes that provided a level of collegiality and friendship for residents. Many domestic needs, such as gardening, lawn mowing and utilities, were looked after by the Council as owner.

Complexes tended to be scattered throughout towns and cities so that older citizens could stay in, or close to, the communities in which they previously lived.

### Most councils still provide a form of council housing

Across Aotearoa, many councils continue to

provide a form of council housing, with portfolios ranging in size from tens to thousands. Of those that still own and manage their own portfolio, **Dunedin City Council** has the largest portfolio, and **Mackenzie District Council** has the smallest.

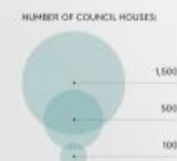
Timaru District Council's portfolio is sizable, and the seventh-largest in the country among councils that continue to own and manage a form of council housing.

The Timaru portfolio is also the largest in the Canterbury region.

### Affordable pensioner housing

Most council housing continues to focus on low-income pensioners who are still self-sufficient, in line with the original intent.

However, over the years some councils have opted to broaden their scope and now provide housing for low-income and disabled tenants as well. For example, Napier City Council provides 377 units for three main cohorts: those over 65; those receiving the Supported Living Benefit; and those on low incomes.



\* This is a point in time snapshot as of April 2024



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HOUSING INSIGHTS REPORT | 15



## Many councils are considering how they deliver their housing services

### Changes to the delivery of council housing have come in three waves

First, around 2007 and 2008 a small handful of councils changed their operating models. For example, Hutt City Council moved to a council-controlled trading organisation and Manawātū District Council transferred the ownership of its housing to a community trust.

Then, from 2015 to 2017, councils started exploring options for divesting or creating community housing providers after central government changed some policy settings. Christchurch City Council established the Ōtautahi Community Housing Trust in 2016 and Horowhenua District Council sold their housing portfolio to a community housing provider in 2017.

We are now in a third wave, where over the last few years, councils have again been considering the future of their council housing portfolios, and making decisions about operations, divestment, and growth.

### Many councils are reflecting on their role in providing housing

Councils have been reflecting on how to most effectively deliver housing for their communities in light of increasing financial pressure, increasing housing stress, and changing central government policy settings.

#### Financial pressure on council housing

Councils have been under significant financial pressures for several years, and council-owned housing has felt these pressures along with other council services.

Because councils have sought to keep council housing affordable, and because the housing stock is aging and therefore more expensive to maintain, the rents charged to tenants usually aren't enough to keep the service sustainable in the long-term.

#### Growing housing stress

Across the country, a shortage of affordable housing and increasing living costs have meant that demand for housing support has been increasing – with demand for council housing being at the forefront.

As a result of those pressures, operating housing services has also become more complex for councils, with more high-needs tenants applying for council housing.

#### Changes in central government policy settings

Policy settings for council housing and the different delivery options are also potentially shifting – particularly around community housing providers.

The Government has committed to ensuring that community housing providers and Kainga Ora operate on a level playing field. This includes giving community housing providers more support in the form of capital, operational funding, and long-term contracts.

However, although demand for housing is increasing across the board, councils face a disadvantage compared to other providers of social housing: councils don't have access to the Income-Related Rent Subsidy (IRRS) and therefore their tenants can't access Income-Related Rents (IRRs).

More information about the Income-Related Rent Subsidy is on page 33.





# You have four key levers as a council housing provider

## Councils are exploring new approaches and models for providing council housing

With the pressures just discussed now front-of-mind, councils across the country are taking different approaches.

Some councils are looking at ways to consolidate their portfolio through sales or to recover more of their operating costs. Other councils are looking at expansion and redevelopment opportunities so they can play a bigger role in supporting those in their communities who are facing housing pressures.

### Four key levers

While councils are mostly taking different approaches to ensuring the future of their housing, all approaches involve adjusting one or more of the following four key levers:

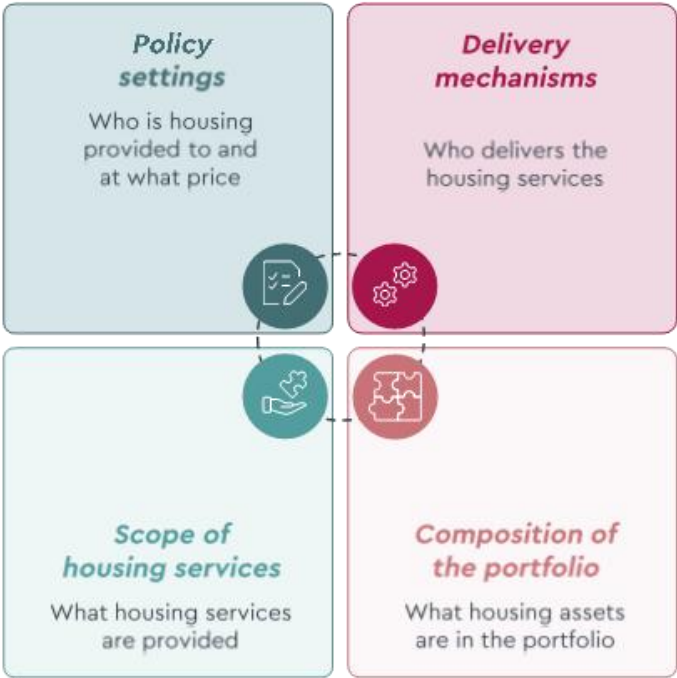
- **Policy settings** – including changes to rental settings.
- **Delivery mechanism** – including establishing a community housing provider.
- **Scope of housing services** – including outsourcing tenancy management.
- **Composition of the portfolio** – including selling or redeveloping assets.

These levers are cross-cutting, with some councils adjusting more than one lever at a time.



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## Levers as a council housing provider



## Councils are also considering other levers for supporting affordable housing

### Councils have six core housing roles

Being a **direct provider of housing** is only one role that a council can play in the housing system.

Other roles include:

- an **infrastructure provider** that provides core amenities and services necessary for housing and communities
- a **land-use and building regulator** that establishes regulatory settings and zoning to enable councils to achieve wider housing goals, as well as the authority for issuing and enforcing building consents
- a **connector and advocate**, by connecting public agencies, iwi and hapū, housing developers, businesses, and housing providers to help achieve better housing outcomes
- a **landowner** of strategic assets in strategic locations, and
- a **partner** with iwi and hapū, informed by its responsibilities under the Treaty of Waitangi.

Historically, councils have focussed on their roles as housing provider, infrastructure provider, and regulator, so that they can ensure that the housing settings in their areas are as enabling as possible.

While those core traditional roles will continue to be the most important, councils are also actively looking at how they can harness other roles - like landowner, connector/advocate, and partner - to support more affordable housing.

### There are further levers available to support affordable housing

As part of this, councils and other housing providers are starting to explore innovative new housing products at the rental and homeownership end of the housing continuum to support their communities.

These levers fall into two broad categories:

- **demand side interventions** that aim to support households to rent or own, and
- **supply side interventions** that aim to increase the supply of affordable housing options.

### Other levers for affordable housing

#### Demand side interventions



Supporting households to rent and own in the district

#### Supply side interventions



Enabling development of affordable housing in the district



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## You need a clear understanding of your housing market and a clear housing strategy

To be able to short-list viable options as part of your 17A review, you first need to understand the dynamics of your housing market, and to be clear about the approach that you want to take to housing in the district.

This will enable you to set up a clear assessment framework and work through the choices available to you.

### Understanding your housing market

This includes building a deeper understanding of the development market, and the gaps you want to fill.

For example, you need answers to these questions:

- What type of dwellings is the private sector focussed on?
- What is the housing need and demand profile in the area?
- What do your demand and supply projections look like for the next 30 years?
- What constraints is the development market facing in the area?
- Who are the key players in the housing market?

### A clear housing strategy that covers the housing continuum

Building on what you know about your housing market, you can then set out a clear housing strategy and vision for Timaru.

The strategy should set out the housing outcomes you want to achieve across the housing continuum – from homelessness through to homeownership. It should also set out the role the Council wants to play in relation to each of these outcomes, and therefore what actions you can take over the short, medium, and long-term.

Your strategy should include a clear purpose and vision for your council-housing portfolio. Armed with that purpose and vision, and a clear overall housing strategy, you will be better able to assess different delivery options and different funding strategies.

This is discussed further in the "Funding approaches" section later in this report.

### Three scenarios

To help you explore the different options you might want to consider, we have developed three potential scenarios. Each one involves a different package of options and a different use of the levers discussed on the previous two pages:

**Scenario 1.** No change to your current operating approach

**Scenario 2.** Optimising and expanding your portfolio

**Scenario 3.** Expanding into new initiatives

These scenarios, and the different options they draw on, are explored on the next page and the next two sections of this report.



# Three scenarios to help you assess housing options

## Scenario 1: No change to your current operating approach

Under this scenario, Timaru District Council continues to provide around 236 council housing units for pensioners in the district, using the same operating approach.

The options considered under this scenario focus on changes to **policy settings** (such as rents and customer focus) and the **scope of the service**.

This scenario is Timaru District Council's current approach.

## Scenario 2: Optimising and expanding your portfolio

Under this scenario, Timaru District Council would optimise and expand on its housing portfolio, including looking at opportunities for redevelopment and growth.

Options considered under this scenario would build on the options in scenario 1, and also include changing the **composition of the portfolio** and the **delivery mechanisms**.

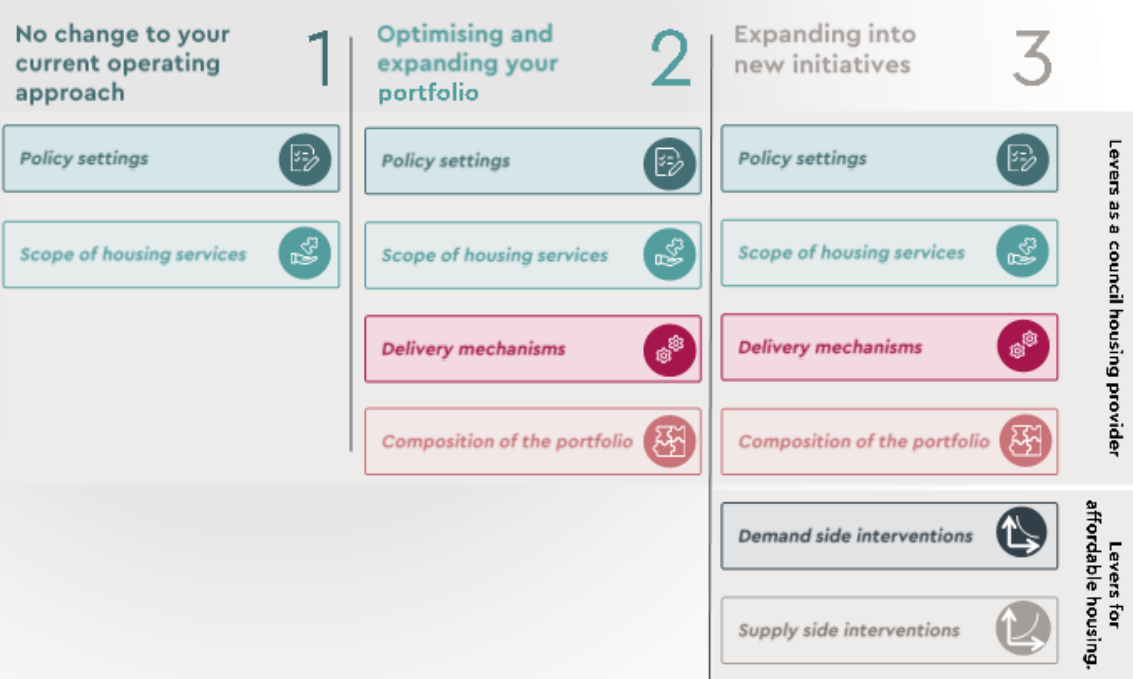
Examples for this scenario include the approach taken in Ōtautahi Christchurch, where the Council established a community housing provider, and the redevelopment approach being consulted on in Napier.

## Scenario 3: Expanding into new initiatives

Here, Timaru District Council looks beyond its own housing portfolio and pursues opportunities to support households into affordable housing and incentivise the supply of new developments.

Scenario 3 builds on the options taken up in scenario 2, but also included **supply and demand side interventions**.

An example of scenario 3 is the approach being taken by Queenstown Lakes Housing Trust.



# Levers as a council housing provider



## Examples of using council housing levers

This section explores some of the approaches being taken by different councils to make use of their key levers as providers of council housing.

### Composition of the portfolio

Some councils have sold, transferred, or redeveloped some or all of their housing assets.

#### Sales and transfers to Kāinga Ora

**Nelson City Council** transferred their portfolio of 142 houses to Kāinga Ora in February 2021. Financial sustainability had become an issue for the Council, particularly because of increasing regulatory requirements. The Council saw the transfer to Kāinga Ora as the option that offered the most secure tenure for existing tenants. Kāinga Ora also has the ability and expertise to offer wrap-around services.

The total sale price was \$19.8 million, with \$5m held back for up to 15 years for the costs of any necessary retrofitting and renewal of units, consents for expanding the housing, and rent top-ups for tenants who do not qualify for the IRRS, the government rent subsidy. The remaining \$12.8 m was to be used for Healthy Homes upgrades to the housing, and to pay back a loan from Kāinga Ora for the upgrade of the Orchard Street flats.

Many existing tenants qualified for the IRRS, but for

the small number of tenants who didn't meet the criteria, money was set aside to provide rent top-ups. Generally, only new tenants are eligible for IRRS, but existing eligible tenants could access it in this case.

A housing reserve of \$12 million was created with the sale proceeds. This is discussed in the section "Wider housing tools and services".

**Tauranga City Council** sold seven of its nine older-persons villages to Kāinga Ora in 2022 for \$17.2 million, as Kāinga Ora was better able to redevelop and update the units. This was done with the agreement that Kāinga Ora would continue to provide affordable housing to existing tenants. The remaining two villages were sold for private development.

As in the case of Nelson City Council, proceeds of the sales went to a Housing Equity Fund. The fund, which was established by Bay of Plenty organisations, including Tauranga City Council, was set up to provide affordable housing where this is not being adequately provided by the market or government.

#### Transfers to other entities

In 2015, **Carterton District Council** transferred its portfolio (valued at \$1.76 m) to the Cater Society, a Carterton-based not-for-profit organisation. At the

time it was hoped residents would become eligible for the government's Income-Related Rent Subsidy, which was not available to tenants of council-owned housing.

**Manawatu District Council** transferred the ownership of its 208 Housing for the Elderly and Disabled units to the Manawatu Community Trust in 2008.

#### Sale to a community housing provider

**Horowhenua District Council** sold its housing portfolio of 115 units to Compassion Housing (a community housing provider) in 2017 for \$5.25 million. The sale also included 1.1 hectares of land to enable Compassion Housing to build further housing in the future. The portfolio was sold with the express intent that it would continue to provide housing for older people. If sold on the open market it may have fetched a higher price, but the Council wanted to ensure security of tenure for the current tenants.

**Hamilton City Council** took a similar approach in 2016 and sold 344 pensioner housing units to Accessible Properties. The buyer committed to causing as little disruption as possible to the current tenants, including welcoming them to stay in their homes.



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## Examples of using council housing levers (continued)

### Redevelopment

**Palmerston North City Council** funded a new development of 50 units to transform its existing social housing stock, which had been built in the 1960s. Government funding was provided to support this development through the Covid-19 Response and Recovery Fund.

**Waipā District Council** started the development of an additional 10 pensioner housing units in Cambridge in mid 2023. This was in response to a 2017 review and decision to commit to providing and expanding its stock of housing for the elderly.

Funding for the new units was signalled in the Council's 2018-28 Long-Term Plan, with the project funded from the Council's reserves for housing for the elderly. There was no impact on rates.

### Delivery mechanisms

Some councils have adjusted how they deliver their council housing, for example by shifting to independent delivery models through establishing new entities.



### Ōtautahi Community Housing Trust

Christchurch City Council established the Ōtautahi Community Housing Trust (OCHT) in 2016 to take over the day-to-day management of its social housing portfolio of approximately 2,300 units.

Christchurch City Council retains full ownership of the housing stock and continues to be responsible for long-term asset management, while OCHT is responsible for tenancy management, rent setting, and day-to-day maintenance.

OCHT's lease agreement with the Council also includes an annual payment into an asset fund for long-term house improvements. The fund cannot be used for other council activities.

OCHT has grown from a tenancy management service to include managing maintenance, projects, and the construction of new community homes.

### Tenants

OCHT is a registered community housing provider and a Class 1: Social Landlord. This means new tenants can access the Income-Related Rent Subsidy.

Around two-thirds of tenants are currently on grand-parented rentals (historical arrangements), and the other one-third accesses the IRRS.

### The Trust's structure and governance

OCHT has nine board members, including three appointed by the Council.

As OCHT is an independent charitable trust, any surplus money is reinvested back into social housing, to improve the service provided to tenants and the wider community.



## Examples of using council housing levers (continued)

### Establishing a community housing provider

**Wellington City Council** is in the process of establishing a community housing provider (Te Toi Mahana) to deliver its housing service. Te Toi Mahana is an independent community-owned trust.

As a community housing provider, Te Toi Mahana can access the government's Income-Related Rent Subsidy for new tenants.

Assets are leased (not transferred) to the trust and the community housing provider is supported with upfront capital to enable it to get underway with upgrading housing and investing in new supply.

### Establishing a council-controlled trading organisation

**Hutt City Council** established Urban Plus in 2007, a specialist property company. Urban Plus manages the Council's social housing portfolio and is involved in property development.

As a council-controlled trading organisation, Urban Plus works to ensure the best financial return, and it drives this through property development.

### Establishing a joint venture

**Auckland Council** transferred ownership of 1,412 units to a joint venture company, Haumarū Housing, which the Council formed with the Selwyn Foundation in 2015. Haumarū Housing is responsible for managing the portfolio.

Tasked with ongoing development of new units is Eke Panuku Development Auckland, a council-controlled organisation for urban regeneration, which works with Haumarū to ensure that the location and quality of the new homes address the needs of older people.

As a community housing provider, Haumarū Housing has access to the government's Income Related Rent Subsidy.

### Scope of service delivery

While most councils are continuing to provide both asset- and tenancy management services, some have outsourced different aspects, including tenancy management.

**Waimate District Council** owns and maintains 27 council housing units. However, tenancy-management services for these units are outsourced to LJ Hooker.

**Kaipara District Council** owns community housing in Dargaville, Ruawai, and Mangawhai. The Dargaville Community Housing units are managed by the Dargaville Community Development Board.

### Policy settings

**Hastings District Council** reviewed their rental policy in late 2023, and increased rents to 65 percent of the market value for properties of a similar size, age and condition.

As part of this review, Hastings District Council also changed the eligibility of their council housing to those over the age of 65 (from 55).



## Signals from 2024 Long-term Plans

As councils engage with their communities as part of developing their 2024–2034 Long-term Plans, some are consulting on the future of their council housing.

### Napier City Council

Napier City Council owns and manages 377 housing units for people who are on a low income, have few assets, and have a special housing need. The Council subsidises the rent.

However, the cost of providing this housing has increased a lot and on average the housing stock is 50 years' old. The Council's current social-housing delivery model has become financially unsustainable for its ratepayers and the community, particularly when considering the costs other services the Council provides.

As part of developing its 2024–2034 Long-term Plan, Napier City Council is exploring ways of delivering council housing in a more financially sustainable way. The Council discounted the option of selling all its housing. It is exploring the following options:

- **Option 1A: Continue to use loan funding and rates increases** to support the Council's current housing delivery approach – that is, the status quo.

- **Option 1B: Shift the focus to providing retirement housing only and sell some of the Council's housing portfolio** (the preferred option).

Napier City Council is also consulting on these three potential delivery models for a shift to focussing solely on retirement housing:

- **Option 2A: Focus on retirement housing but use the current approach to delivery.** The Council would sell three housing villages to pay for the cost of providing the remaining villages with no changes in services or rent for the next decade. This would need to be reassessed once this funding runs out.
- **Option 2B: Focus on retirement housing only and sell some council-owned housing – mixed delivery** (the preferred approach). Rent would be reviewed annually so that it covers 80% of maintenance costs. This will enable the Council to provide the housing over the longer term, to respond to increasing costs and demands, and to explore delivery by other providers.
- **Option 2C: Focus on retirement – independent delivery approach.** The Council leases or transfers housing assets to other providers, who would decide future rents. Independent

delivery may be more responsive to the community's needs due to reduced council control over the services provided.

On 30 May the Council agreed to shift its focus to delivering retirement housing only and fund this through selling some social housing villages, noting that no tenants will lose their home.



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## Signals from 2024 Long-term Plans (continued)

### Invercargill City Council

Invercargill City Council's current housing stock is old and increasingly lags behind today's new build standards. As part of its Long-term Plan, the Council is exploring options for increasing the quality and availability of council-run housing for elderly people.

Currently, rent from tenants covers the costs of maintenance. However, the Council needs a new funding model to build replacement houses faster. It is exploring the following options:

- **Option 1: Provide some funding from general rates to replace aging houses faster.** There would be an additional \$7.7 million capital expenditure, resulting in rates increasing by a total of 0.61% by 2030/31. Service levels and debt would increase.
- **Option 2: Maintain the current funding policy and reduce the speed of replacement of houses.** There would be no impact on rates, no increases to service levels, and no debt increase.

### Kāpiti Coast District Council

In 2023, Kāpiti Coast District Council comprehensively reviewed the condition of its 118 homes and their upgrade needs, and considered options for how the service could better meet the needs of the Kāpiti community.

The cost of providing community housing in Kāpiti is increasing, and the Council cannot access central government funding to help ratepayers and tenants cover the cost. Currently, ratepayers are subsidising pensioner housing as the Council cannot charge enough rent to maintain and operate the assets. The Council's 2024–2034 Long-term Plan states that "Retaining ownership of our housing assets isn't affordable, or sustainable, for us, or for our community."

The Council is consulting on three options to provide more sustainable council housing for its older people.

- **Option 1: Transfer housing assets to a new community housing provider** (preferred option). The Council would establish a new community housing provider that would be entirely self-funding. The houses would be gifted to the new provider and the Council would maintain a level of influence over the provider. Option 1 should ensure that pensioner housing continues to be provided but the costs

are not passed onto ratepayers. It should also enable the portfolio to grow without increasing the Council's debt.

- **Option 2: Transfer or sell housing assets to an existing community housing provider.** This option would deliver some benefits but would reduce the Council's influence on how the funding or assets are used – particularly if the existing community housing provider is focussed on other regions. This option is unlikely to ensure that a local voice and focus protects current and future tenants and does not provide certainty that there will be opportunities for housing growth.
- **Option 3: Deliver housing under current model, with no option to grow the portfolio** (status quo). The Council will continue to own and operate its portfolio, and ratepayers will continue to subsidise the costs, which are expected to rise annually. The Council is also unlikely to be able to maintain and refurbish its current stock or build new pensioner housing. Tenants will miss any wrap-around supports available through community housing providers and there will be no access to the government's Income-Related Rent Subsidy.



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# Levers for affordable housing



## Examples of levers to support affordable housing

### Demand side interventions

Often described under the umbrella of "progressive home ownership", there are a range of tools and products that can be used to support households to be able to rent (often called "assisted rentals") or own affordable housing.

#### Rent to buy

Rent to buy (also known as "rent to own" or "lease to purchase") is an approach where a household moves into a home and makes weekly payments that cover their rent and a contribution towards a deposit to buy the house.

#### Tamaki Regeneration's Affordable Rental and Shared Home Ownership schemes

Under the Affordable Rental scheme, households enter into a five-year fixed-term tenancy at an affordable rent to give them time to save for a deposit. After the five years (or sooner), they can buy the home through a Shared Home Ownership programme. Households can use half of the increase in value of the home while they were in the programme to put towards the deposit.

#### Housing Foundation's Rent to Own

This Rent to Own programme allows households to enter into a five-year tenancy agreement, at the end of which they will have the option of buying the home. Rent is based on 30% of gross income and is never more than market rent.

#### Habitat for Humanity's Progressive Home Ownership

Habitat for Humanity run Progressive Home Ownership programmes across the country. Families occupy a new home built by Habitat and pay the equivalent of fair market rent determined by their total gross household income. This programme gives households secure tenure at an affordable rent for at least five years, until they refinance and take ownership of their own home.

#### Shared equity

Shared equity is an approach where a provider owns a portion of the household's home alongside them, and the household buys them out over time.

This offers tenants an opportunity to buy a home when the cost of a mortgage is too high. It also allows the household to increase their share in the property as their financial circumstances allow.

#### Marlborough Sustainable Housing Trust's Shared Ownership programme

The Trust was set up to bridge the gap between the region's low wages and high property prices. Its Shared Ownership programme allows individuals to buy a share in a new house (between 50% and 80%), and over time buy out the Trust and achieve full ownership.

This model prioritises tenant households on low incomes who have a demonstrated housing need (for example, unaffordability, tenure insecurity, crowding, or disabilities).

#### YouOwn's Co-ownership model

YouOwn is a private funder that supports shared equity. Households buy a majority portion of the property that they can afford now, and YouOwn helps with the rest (up to 25%).

After five years, households can buy out YouOwn's share when they are able to, at an independently assessed market value. Until they buy out YouOwn, the household pays an equity charge of 5.95% on the money that YouOwn invests.





## Examples of levers to support affordable housing (continued)

### Affordable rentals

"Affordable rental" schemes provide rental properties for target residents at affordable rents.

#### Wellington City Council's Te Kāinga

Te Kāinga is a partnership between the Council and private building owners to provide long-term, high-quality, family-friendly rental housing to workers in Wellington. The Council has committed to providing 1,000 Te Kāinga apartments in the next five years.

Building owners are responsible for construction and maintenance of the apartments and the Council is responsible for tenancy management. This makes it cost-neutral for the Council, as they receive a tenancy management fee from the developer.

### Leasehold

Here the household buys a registered leasehold interest in a home from a provider with the right to occupy the property over a long term, such as 100 years. The leaseholder pays a modest ground rent, as well as servicing any mortgage commitment.

With this model, the tenant doesn't achieve freehold home ownership.



#### Queenstown Lakes Community Housing Trust

In 2007, the Queenstown Lakes District Council recognised the lack of affordable housing and established the Queenstown Lakes Community Housing Trust (QLCHT). The Trust works with the Council and a range of other funders, and has a Relationship Framework Agreement in place.

QLCHT is an independent, not-for-profit, community-owned organisation that is governed by a board of six trustees.

QLCHT is a registered community housing provider.

#### The Secure Home scheme

Secure Home is based on a leasehold ownership tenure where households pay an upfront payment (purchase price) for the home based on its construction costs only, with no margins added.

QLCHT registers a 100-year lease over the land in the household's name. The household pays a monthly "ground rent" to QLCHT for use of the land.

Secure Home requires the household to commit to staying in the property for the first three years. After that, they can sell the home back to QLCHT at any time, for any reason. QLCHT will buy the property back at the same price as they paid at the outset, plus an inflation adjustment for the time the household has owned the property.

#### The Rent Saver programme

This is a five-year programme where households can focus on saving for a deposit. Each year households are asked to provide evidence of their savings and QLCHT matches it, up to an equivalent of \$50 a week (\$2,600 a year) for five years.

At the end of the five years (or sooner if ready) households can apply to buy their home under the Secure Home programme. If they're successful, QLCHT will put the matched savings towards their purchase.



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## Examples of other levers to support affordable housing (continued)

### Supply side interventions

Many councils are considering what other housing tools they have available to incentivise the supply of affordable housing in their regions.

#### Inclusionary zoning

Inclusionary zoning is a planning tool that requires, or provides incentives for, private developers to incorporate affordable housing into developments. There are many different variations on what an inclusionary zoning policy can look like – for example, it can be mandatory or voluntary.

#### Queenstown Lakes District Council

This Council has used a form of inclusionary zoning since 2005 to help capture some of the value created when rural land is up-zoned for residential development.

It has done this through negotiations as part of several private plan change requests (and previous Special Housing Areas). For example, a developer who applies to rezone a rural area to an urban zone must allocate 5% of the land to the Trust.

The policies have provided \$24 million in funding and land for the Queenstown Lakes Community Housing Trust.

At the time of writing this report, the Queenstown Lakes District Council is consulting on a policy to formalise this approach through an "affordable housing financial contribution". The policy would make developers contribute 5% – in the form of either land or a monetary payment – of the estimated sales value of new subdivisions to fund construction of affordable housing through the Queenstown Lakes Community Housing Trust.

#### Waipā District Council

Following a decision in August 2023, Waipā was the second council after Queenstown to use inclusionary zoning to address concerns about housing costs. The Council is taking a "greenfields first" approach, applying inclusionary zoning provisions to three greenfield sites that are subject to significant urban expansion pressures.

Based on the experience of the greenfields areas, any programme could then be rolled out to selected brownfields areas likely to see growth.

The details of this are still being worked through.

#### Wellington City Council

As it developed its recently adopted District Plan, Wellington City Council considered introducing inclusionary zoning that would require new developments to make a financial contribution towards affordable homes or require a minimum proportion of new homes built to be sold below an affordability threshold.

The Council ultimately decided against it because of the risk that it would disincentivise new development – especially given that neighbouring councils would not have the same rules.



## Examples of levers to support affordable housing (continued)

### Council partnerships

#### Nelson City Council's Housing Reserve Grants Programme

In March 2021, the Council divested its community housing portfolio to Kāinga Ora and established a Housing Reserve with the \$12 million of revenue. The Housing Reserve's purpose is to "work with and support partners who have the ability to deliver social and affordable housing solutions for the community." The Council is a steward for the Housing Reserve and the Housing Reserve Grants Programme is led by the Community Housing Acceleration Taskforce.

In 2021 and 2022, \$3.85 million in contestable grants were given to registered community housing providers and iwi trusts to support the delivery of enduring, affordable housing in Nelson.

The aim of the Housing Reserve Grants Programme is to "help grow, as quickly as possible, the stock of community housing with the goal to double the number of community houses from 50 to 100 by 2026." Grants are available to housing providers and developers for the purchase of land and housing construction costs, with an overall requirement that there is a net increase in the unit numbers within three years of receiving funding.

As part of the Grants Programme, the Community Housing Acceleration Taskforce could consider other innovative housing proposals for support "where it offers good use of public money to alleviate Nelson's housing problems".

#### Ashburton District Council and Ashburton Housing and Support Trust

Ashburton District Council partnered with the Ashburton Housing and Support Trust (Haven Housing) in 2020 to deliver 17 new affordable housing units. The Council leased the land to the Trust for a nominal rent, and the Trust set about fundraising for and managing the build.

### Build to rent

Build to rent is a type of medium to high-density residential development, specifically built to provide long-term rental housing.

#### Kiwi Property's Resido

Kiwi Property is offering a new build to rent offering, Resido, where they develop, own, and manage homes and apartments specifically for long-term rental.

In Sylvia Park, Kiwi Property is delivering more than 1,200 residential apartments for long-term rental accommodation, as the flagship build.

### Other

#### Hawke's Bay Regional Council's Sustainable Homes

The Council's Sustainable Homes programme aims to make more homes in the region healthy and dry. All eligible ratepayers can borrow up to \$20,000 from the Council for insulation and ventilation, double glazing, solar, water heating, storage and septic tanks, and clean heating.

The Council's programme supports ratepayers to make home improvements that will make their homes warmer and drier, more energy efficient, and less dependent on networked supply. It will also increase the region's renewable energy use.

The funding is repaid to the Council over 10 years through a "voluntary targeted rate", which has a current interest rate of 6%. The voluntary targeted rate is paid as a direct debit simultaneously with property rates.



# Key considerations across all options



## Understanding the complexity of the options

Each of the different approaches and options have nuances that would need to be explored further if short-listed.

This section discusses some of the key considerations you will need to work through.

### Access to the Income-Related Rent Subsidy is complex

The majority of social housing tenants pay an Income-Related Rent (IRR) determined by the Ministry of Social Development, with the amount generally set at 25% of their net income.

The Ministry of Housing and Urban Development (HUD) pays the Income-Related Rent Subsidy (IRRS) to Kāinga Ora and registered community housing providers, to cover the balance between the tenant's rental payment and the market rent for the property.

Community housing providers can also access the Operating Supplement (OS), a funding subsidy paid in addition to the IRRS for eligible "net-new" (additional housing) social houses to help enable new build supply. The OS is calculated as a percentage of market rent up to a percentage cap.

Local authorities and council-controlled

organisations cannot register to be a community housing provider. However, a **subsidiary** of a local authority or council-controlled organisation may apply to register as a community housing provider if it's operating at arm's length.

The subsidiary must genuinely be operating independently from the parent and not be part of its corporate structure. This should be evident from its constitution, the membership of its governing body, and its structures for governance and financial management.

Under current policy, an independent housing entity can access the IRRS and OS on net-new units within their portfolio only, following a moratorium on "redirects" (providing IRRS on existing units) in previous years. In limited cases HUD will consider redirects, where through the additional funding, the provider is able to bring on new supply. The OS, which is paid in addition to the IRRS for eligible net-new public housing, was introduced by HUD to incentivise new builds.

Further, existing tenants are not eligible for IRRS, it is only available to those who are from the public housing register. However, when taking tenants from the register, there is some discretion as to who can be allocated units based on set eligibility

criteria (for example, residents must be over 65).

### Sale and transfer options for council housing have limitations

Councils need to consider a number of limitations on the options available.

First, sales often are discounted. Council housing that has been sold in the past for continued housing purposes has often been done so on a discounted rate that factors in the age of the portfolios and the maintenance costs needed to continue to run them.

For example, as mentioned earlier, Horowhenua District Council sold its housing portfolio in 2017 to Compassion Housing under the express condition that the portfolio be used for housing for older persons, to ensure security of tenure for the existing tenants. Given this condition of sale, the price received was lower than if the portfolio had been sold on the open market.





## Understanding the complexity of the options (continued)

Similarly, Tauranga City Council, sold its portfolio in two distinct sales – nine villages were sold to Kāinga Ora for continued use at a discounted rate, while the remaining two were sold on the open market at a market rate.

Council housing sales to Kāinga Ora are also not common – there have been only two in recent years (Tauranga and Nelson). Any purchase of council housing by Kāinga Ora requires ministerial agreement.

### Disruption to tenants is a key consideration

Any change to the delivery of council housing requires careful consideration of the current tenants and the transitional arrangements, with different implications depending on the options.

As noted earlier, often sale agreements will provide for the current tenants to continue to be housed. For example, Napier City Council, which is currently consulting on the sale of three villages, has committed to ensuring that current tenants will always be housed.

### Many of the broader range of housing levers require independent partners

Many of the other levers to support affordable housing involve housing products that usually are not provided directly by councils, but rather by community housing providers, trusts, and charities.

Councils such as Auckland that did provide a shared equity type of product have recently exited the service. Auckland Council had been delivering its "Own-your-own home" scheme since the 1970s but sold its share in 2023 due to decreasing demand and increasing maintenance expenses.

When considering these options, it is therefore important to reflect on the wider players in the region, and how the Council can lean into the roles of "connector and advocate" and "partner", rather than taking on the delivery role alone.

### Unintended consequences of supply side incentives

Although seemingly successful in some areas, supply side tools such as inclusionary zoning can have unintended consequences that need to be

thought through. Housing is a complex sector and inclusionary zoning is a particularly complex tool.

By its nature, inclusionary zoning increases the cost of providing housing and reduces profits for developers. This can result in:

- development moving elsewhere to nearby areas without the policy, particularly if the area with inclusionary zoning already has fragile development margins, and
- house prices increasing as developers seek to pass on the costs.

Further, inclusionary zoning extracts the most value when the supply of land that can be developed is extremely inflexible and unresponsive. Put simply, inclusionary zoning works best in markets with tight regulatory constraints.

Therefore, when exploring these options further, it is important to understand:

- the local housing market, including developers' perspectives
- the problem you are trying to solve, and
- who you are trying to target.



## Government policy signals for social housing

### National housing policy settings are changing

Policy settings for council housing and the possible delivery approaches are also potentially shifting – especially for community housing providers.

The Government has committed to ensuring that community housing providers and Kāinga Ora are on a level playing field. This includes giving community housing providers more support in the form of capital and operational funding and long-term contracts.

The Government has also signaled that it will establish a new procurement function in HUD to allocate capital for new public housing, on a contestable basis, to Kāinga Ora, community housing providers, and other providers. It is also planning to use Social Impact Bonds, in partnership with providers who can shift families out of emergency housing.

More clarity about these settings are finally being announced.

### As part of Budget 2024, the Government has provided further funding for community housing providers

Budget 2024 will allocate \$140 million in new funding for 1,500 new social housing places to be provided by Community Housing Providers, from savings found by ending the First Home Grant.

The Government's new investment in 1,500 social housing places will start to become available from July 2025 onwards, with the aim of giving the community housing sector certainty about the social housing pipeline. This will allow them to plan for the future, and scale up their build programmes.

As part of this announcement, a new 'active purchaser' arrangement was detailed

Currently, social housing is procured from community housing providers on a project-by-project basis.

Around 500 new homes of the 1500 will be allocated quickly using the existing pipeline of opportunities and with three objectives in mind:

- **value for money** from government investment
- contributing towards the government's target of **getting people out of emergency housing motels**
- a balanced approach between achievability and building capability in historically **underserved regions**

The balance of the 1500 social housing places will likely be allocated using an "active purchaser" approach which is still being developed.

"Active purchasing" is a concept developed in the Independent Review of Kainga Ora (discussed further on the next page). It refers to the government developing a much more sophisticated understanding of current and future housing needs at a national, regional and cohort level, taking a Social Investment approach to improving housing outcomes, and potential outcome-based contracts.

Therefore, subject to Ministerial agreement, HUD will be looking at developing longer term strategic partnerships with some community housing providers to achieve specific social and housing outcomes, rather than looking at single proposals one by one.



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## Government policy signals for social housing (continued)

### The review into Kāinga Ora has signaled that further work on social housing policy settings is to come

The Report into the review of Kāinga Ora was released in May.

As well as findings on the performance of Kāinga Ora, the report found that the social policy landscape is complex. It detailed how successive governments have developed a range of funding appropriations and programmes to support people into affordable, secure, and suitable housing.

#### Seven recommendations were outlined

The report set out seven recommendations (summarised to the right, with a full summary of the recommendations attached as appendix 3), with Cabinet initially agreeing to:

- align contractual arrangements across Kāinga Ora and Community Housing Providers (CHPs)
- refresh the Kāinga Ora Board
- issue Simplified Direction to Kāinga Ora, and
- set an expectation that the Kāinga Ora Board

will develop a credible and detailed plan to improve financial performance with the goal of eliminating losses.

The remaining recommendations will be considered in August following further advice from central government officials.

#### Localised decision-making is prominent in these remaining recommendations

The report detailed government settings have favoured Kāinga Ora and there have been challenges for all social housing providers. The report noted that devolving more ownership and decision-making to the local level will get better results.

#### Recommendation three

Recommendation three details that to better enable tenants and local communities to meet their diverse housing needs and aspirations, government policy and investment should build on the advancements made in place-based and specialised approaches. This will be done to increase local decision making regarding the management and ownership of housing.

#### Summary of recommendations

1. To strengthen government accountability for social housing outcomes
2. To prioritise tenant outcomes and cost-effective provision of housing support and supply
3. To better enable tenants and local communities to meet their diverse housing needs and aspirations
4. To increase choice, diversity, and innovation, Government enables more providers to participate in the provision of social housing
5. To ensure that Kāinga Ora has the leadership and mandate to effectively implement the recommendations of this Review
6. Responsible Ministers set an expectation that the board will develop a credible and detailed plan to improve financial performance with the goal of eliminating losses
7. To generate momentum toward the recommendations above, the Panel recommends a timeframe for key milestones





## Government policy signals for social housing (continued)

This could include using HUD's established place-based and urban growth partnership initiatives to agree local housing strategies and priorities with communities.

This could also include the creation of **"Community Housing Associations"** to manage the government's local social housing and pursue agreed local housing strategies and priorities.

Community Housing Associations would be established as Crown Companies under schedule 4A of the Public Finance Act 1989 and allow non-Crown partners to become shareholders. Kāinga Ora over time would facilitate the transfer of its social housing to management by Community Housing Associations.

### Recommendation four

Recommendation four details that to increase choice, diversity, and innovation, the Government should enable more providers to participate in the provision of social housing by:

- the purchaser contracting with Kāinga Ora in a similar manner that it does with Community Housing Providers
- addressing barriers in order to increase provision of social housing by CHPs, Iwi and

Māori, and other providers

- ensuring the funding model incentivises delivery where needed and is responsive to the different needs of tenants
- implementing alternative delivery models based on local decision-making and specific tenant needs, with pathways for communities to manage Kāinga Ora housing stock.

### Implications for council housing

These proposals are yet to be agreed by Cabinet, with further advice being sought from government officials between now and August.

### Three key take-outs for local government

Firstly, if accepted, these proposals will fundamentally change the landscape for community housing providers and how they operate. This may mean that options for councils around the delivery mechanisms should be reviewed once more is known.

Secondly, the creation of Community Housing Associations will change the local social housing landscape - especially in areas like Timaru where Kāinga Ora owns a significant portion of units. The Council will need to keep close to these changes

and understand what a "Community Housing Association" in the area would mean.

And finally, the review mentions 'other providers' a number of times, without naming councils. Council housing across Aotearoa accounts for a significant number of social housing units. There is the potential for councils to communicate their impact, challenges, and opportunities ahead of Cabinet's consideration in August to make sure they are front of mind.



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## Government policy signals for urban development

Alongside the policy changes being announced across the social housing sector (discussed on the previous pages), the Government has also been progressing several changes across the urban development sector.

### Going for Housing Growth

Going for Housing Growth seeks to address the underlying causes of the housing supply shortage. It aims to significantly increase the availability of developable land for housing within and at the edge of urban areas. The programme is organised around three pillars:

- **freeing up land** for urban development, including removing unnecessary planning barriers
- **improving infrastructure funding and financing** to support urban growth, and
- providing incentives for communities and **councils to support growth**.

Freeing up land has been the focus to date. The Government has announced that it will require councils to release land for housing, through changes to the Resource Management Act and the National Policy Statement on Urban Development, with requirements in place by mid-2025, and

formal consultation on the detail in early-2025.

This pillar also includes:

- housing growth targets for tier 1 and 2 councils, requiring them to enable 30 years of housing capacity in their district plans
- enabling greenfield growth, prohibiting councils from imposing rural-urban boundary lines in planning documents
- requirements for tier 1 councils to enable intensification along strategic transport corridors
- requirements that tier 1 and 2 councils enable mixed use development, including hospitality and retail, and
- removing the ability for councils to set minimum floor areas or requirements for balconies from developers

It is expected that further decisions will be announced on funding and financing, and incentives to support growth this year and next.

### Resource Management Reform

The Government is also reforming the Resource Management system. While the first Bill repealed previous legislation, a second Bill will give effect

to the Government's Going for Housing Growth programme of initiatives.

This will include providing central government with new powers relating to compliance with housing and business development capability assessments and exploring further intervention powers relating to the Going for Housing Growth policy programme.

The Government has also signalled that it will make amendments to the National Policy Statement on Urban Development, and National Policy Statement on Highly Productive Land; and will set new national direction for housing targets, granny flats and papakāinga.

It is expected that this Bill will be introduced by the end of the year, with the intent to pass it into law by mid-2025.

The Government has also indicated that it will introduce a Bill that fully replaces the Resource Management Act before the end of 2025.





## Government policy signals for urban development (continued)

### Fast Track Approvals

The Government introduced the Fast-track Approvals Bill in March 2024. The Bill proposes to establish a permanent fast-track approvals regime for projects of national or regional significance, to reduce the cost burden of working through resource consent under the Resource Management Act, and other approvals under other legislation.

The Bill is working through the Parliamentary process, with the Government making significant changes during select committee process.

The Bill establishes a one-stop-shop for expedited resource consents, notices of requirement, and certificates of compliance under the Resource Management Act. It also extends to necessary approvals across a range of other legislation, including the Public Works Act, and the Reserves Act.

Projects will be referred to an expert panel by the Minister for Infrastructure, who will be required to consult the Minister for the Environment and other portfolio ministers as relevant. An expert panel, appointed by Cabinet, will make final decisions on projects.

384 applications have already been submitted to be considered for direct referral to the expert

panel – 40% relate to urban development projects, with the rest spread across infrastructure, renewable energy development, mining and quarrying, and primary industries.

### Regional Deals

On 22 August, the Government announced a framework for establishing Regional Deals.

Under the deals, there will be a focus on long-term collaboration between local and central government, a focus on economic growth, infrastructure, and housing supply, access to new funding tools and opportunities to coordinate capital investment.

The deals will include entering a 10-year strategic plan, developed between central and local government, and may require regions to undertake work to support the deals, such as zoning decisions, community consultations, or the establishment of appropriate governance structures.

### Selecting the first deals to progress

Local authorities will be selected by the Infrastructure and Investment Ministerial Group, based on assessment against set criteria:

- alignment with the strategic framework
- region growth potential
- commitment to a regional spatial plan
- capability, capacity and readiness to deliver
- commitment to fiscal prudence, and
- commitment to broader government reform objectives, including Local Water Done Well, and Going for Housing Growth.

The Government has indicated that it will invite up to five regions to apply for a Regional Deal and expects the first one to be in place in 2025.

### Implications for council housing

Many of these urban development announcements and policy changes largely impact only tier 1 and 2 councils. However, they do send strong signals about the need for all councils to focus on enable housing and urban development and driving local growth.



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# Funding approaches

## Understanding your funding choices

### Developing a funding strategy

To be able to short-list viable options as part of your 17A review you will need to determine a clear funding strategy.

#### Funding considerations



*External factors such as government policy, macroeconomic factors*

### Assessing the financial sustainability of your current council housing model

To be able to understand the funding sources and mechanisms that could be accessed, you will need to assess and understand the financial sustainability of your current model for providing council housing.

The following considerations are key:

- Does the rental income cover the costs of providing community housing?
- Does the rental income cover the costs of maintaining the housing stock and ensuring it is fit-for-purpose?
- If the rental income is not sufficient to cover these costs, how are they being funded?
- What alternative operating mechanisms can be used to improve financial sustainability?
- Can existing capital be re-purposed to meet the current needs?

In your assessment, the existence of mechanisms like grants and subsidies to address unsustainable models should not be allowed to obscure the underlying unsustainability of the model.

### Housing strategy

As we emphasise earlier in the report, it is important to clearly articulate your housing vision and strategy for Timaru. This will then help you determine an appropriate funding strategy.

In articulating your housing vision and housing strategy, the following are some key questions to consider:

- Who does the Council provide housing to?
- What services does the Council seek to provide?
- What asset base is required to provide for those customers?
- How does the Council provide those services?
- What policy settings are available to the Council to achieve the outcomes it wants?

It is important to clearly delineate a funding strategy from a housing strategy.



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## Understanding your funding choices (continued)

### The Council's financial position

The Council's overall financial position is another factor that will determine its funding strategy. This is particularly relevant if the Council decides to adopt a strategy along the lines of scenarios 2 or 3 on the next page.

The following are some key considerations:

- Are there competing demands for Council funding?
- What is the Councils' capability to manage shared risk funding?
- How affordable are the financing costs?
- What are the Council's financial policies that may affect the approach taken?
- Are there any external regulatory or other requirements that need to be considered?

You will also need to clearly understand the Council's capability as well as capacity to access funding. For example, does the Council have the capability to deliver and manage complex partnership funding?

### The availability of funding

The availability of funding will also determine the Council's funding strategy, particularly if the Council is seeking external sources of funding.

The following are some key considerations :

- What is the level of demand from potential funders and what is the level of competition among them?
- Is there alignment between the outcomes that funders expect and the outcomes the Council is seeking?
- Are there available government grants?

It is important to be able to clearly align the expected returns and benefits of funding sources between Council and funders. For example, are purely financial returns expected or social benefits too.

### Using the three scenarios to understand your funding choices

The table on the next page sets out the potential funding sources available to the Council under each of the three scenarios presented earlier in the report.

The table works through the different operating and capital funding sources and where they may come from.

These are not mutually exclusive or exhaustive. There is scope for the Council to develop new and innovative ways to fund housing in their communities.

The table considers only the funding sources and does not deal with any changes to delivery or entity structure that may be needed. For example, accessing the IRRS requires the housing provider to operate at arm's length from the Council or any CCOs or subsidiaries, to register as a community housing provider, and to apply for funding.





## A number of funding sources are available to the Council

			CROWN	COUNCIL	THIRD PARTY	TENANT	RATEPAYER	OTHER	MIXED
Operating	Income	Rates					● Napier City Council		
		Rent				●			
		Operating supplement*	●	OCHT and Te Toi Mahana (Wellington City Council's new community housing provider)					
		Operating subsidies (e.g. IRRS)*	●						
		Efficiencies				●			
		Other		●					
Capital	Retained earnings	General reserves**		● Ashburton District Council					
		Housing reserves**		● Nelson City Council					
	Liability	Loan	●		●			●	
		Use of asset	●	●	● To Kāinga				
	Equity	Levies			● OCHT				
		Grants	●						
		Special purpose funding	● Palmerston North					●	
		Capital subsidies	●						

\* Only available as registered Community Housing Provider  
 \*\* Existing reserves or generated from sale of assets

**Key**

- Scenario 1: No change to current operating approach
- Scenario 2: Portfolio optimisation and expansion
- Scenario 3: Expansion into new initiatives



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# Appendices



## Appendix 1: Policy settings across the Canterbury region

Council	Eligibility	Rent
<b>Waitaki District Council</b>	Priority is given to applicants who are over 60 years of age with limited financial means. However, occasionally other applicants in hardship who have a specific need for this type of housing are considered.	Rental prices range from \$145 - \$229 per week, depending on the type of unit and where it is located. <ul style="list-style-type: none"> <li>1-bedroom: \$170 - \$220</li> <li>Bedsit: \$145 - \$175</li> <li>2 bedroom: POA</li> </ul>
<b>Waimate District Council</b>	Priority is given to applicants over the age of 65 and people with medical conditions, where they would benefit from being able to access this type of housing.	Rental prices range from \$160 - \$190 per week.
<b>Mackenzie District Council</b>	Tenants must be over the 65 years of age or more or qualify for the National Superannuation or War Pension and be on a low income.	Rental prices are set at 80% of current market rental and no more than one-third of the current National Superannuation payment. The cost varies depending on the type of unit and number of people in the unit. <ul style="list-style-type: none"> <li>Single unit: \$155</li> <li>Double unit: \$205</li> <li>Single person in double unit: \$150</li> </ul>
<b>Ashburton District Council</b>	Tenants must be either 65 years of age or more or qualify for the National Superannuation. They must have limited assets and a low-income, a housing need that cannot be met adequately elsewhere, and be able to care for themselves independently.	Rental prices are set based on internationally adopted standards of affordability, whereby tenants should pay no more than 30% of their gross household income on housing costs. Rent will increase incrementally each year. As at 2023/24, rent was: <ul style="list-style-type: none"> <li>Single unit: \$130</li> <li>Double unit: \$150</li> </ul>
<b>Waimakariri District Council</b>	Housing is available for individuals over the age of 65 years and do not own property or do not have assets to purchase a small property in the district. They must be able to live independently.	Rental prices differ depending on the location, size of the unit and if it has been newly renovated. They range between \$179.50 - \$256 per week. In general, <ul style="list-style-type: none"> <li>Bedsit unit: \$179.50</li> <li>Studio unit: \$190.50</li> <li>Single unit: \$212.20</li> <li>Queen unit (double unit - one occupant): \$234.10</li> <li>Queen unit (double unit - separate double bedroom): \$256</li> </ul>
<b>Hurunui District Council</b>	Housing is for older persons or people with mobility, mental health, or disability issues who may be unable to afford housing at market rates. The Council also has accommodation units in Waiau Village to support families, couples and individuals with a housing need who wish to live and work in this area.	Rental rates for the social housing units are calculated as a percentage of estimated market rental and the priority category of the applicant. <ul style="list-style-type: none"> <li>Single unit: \$127 - \$139 for a priority 1-3 renter, \$169-175 for a priority 4 renter, or estimated market rent for a priority 5 renter</li> <li>Double unit: \$175 for a priority 1-3 renter, \$211 for a priority 4 renter, or estimated market rent for a priority 5 renter</li> </ul>
<b>Kaikōura District Council</b>	Allocation for the pensioner cottages is allocated based on priority of needs. The highest priority tenants are 65 years or older with a genuine housing need, do not own any property, and have limited assets.	Rental prices vary depending on the size of the unit. They are: <ul style="list-style-type: none"> <li>Single unit: \$125</li> <li>Double unit: \$165</li> <li>Two bedroom unit (1 x double and 1 x guest room): \$185</li> </ul>



## Appendix 2: Summary of options

Option	Example	Type
<b>Levers as a council housing provider</b>		
Rental increases	Hastings District Council	Policy settings
Eligibility	Napier City Council (LTP)	Policy settings
Outsourcing of tenancy and/or asset management	Kaipara District Council	Scope of housing services
Establishment of Community Housing Provider	Christchurch City Council	Delivery mechanisms
Use of Council-Controlled Organisation / Trading Organisation	Hutt City Council	Delivery mechanisms
Other, such as Joint Ventures	Auckland Council	Delivery mechanisms
Sale or transfer	Tauranga City Council	Composition of the portfolio
Redevelopment	Palmerston North City Council	Composition of the portfolio
<b>Affordable housing levers</b>		
Rent to buy	Tamaki Regeneration	Demand side interventions
Shared equity	YouOwn co-ownership model	Demand side interventions
Affordable rentals	Wellington City Council	Demand side interventions
Leasehold	Queenstown Lakes Community Housing Trust	Demand side interventions
Inclusionary zoning	Queenstown Lakes Community Housing Trust	Supply side interventions
Build to rent	KiwiProperty	Supply side interventions
Council partnerships	Ashburton District Council	Supply side interventions



## Appendix 3 – Kāinga Ora review recommendations

### Recommendation one

#### Recommendation

To strengthen government accountability for social housing outcomes, Cabinet considers consolidating government funding for housing outcomes under the Minister of Housing, who will be supported by HUD to administer that funding on behalf of the Crown, together with expectations of formal reporting of outcomes by a third party

#### Government response

A report back to Cabinet in August 2024 by the Minister of Housing which includes consideration of whether to accept this recommendation, and proposed approaches and a staged programme over the short and medium term

### Recommendation two

#### Recommendation

To prioritise tenant outcomes and cost-effective provision of housing support and supply, the Minister of Housing directs HUD to become an active purchaser that takes a social investment approach to cost-effectively improving housing outcomes.

#### Government response

A report back to Cabinet in August 2024 by the Minister of Housing which includes consideration of whether to accept this recommendation, and proposed approaches and a staged programme over the short and medium term.

### Recommendation three

#### Recommendation

To better enable tenants and local communities to meet their diverse housing needs and aspirations, government policy and investment builds on the advancements made in place based and specialised approaches to increase local decision making regarding the management and ownership of housing.

#### Government response

A report back to Cabinet in August 2024 by the Minister of Housing which includes consideration of whether to accept this recommendation, and proposed approaches and a staged programme over the short and medium term.

### Recommendation four

#### Recommendation

To increase choice, diversity, and innovation,

Government enables more providers to participate in the provision of social housing by

- the purchaser contracting with Kāinga Ora in a similar manner that it does with Community Housing Providers (CHPs)
- addressing barriers in order to increase provision of social housing by CHPs, Iwi and Māori, and other providers
- ensuring the funding model incentivises delivery where needed and is responsive to the different needs of tenants
- implementing alternative delivery models based on local decision-making and specific tenant needs, with pathways for communities to manage Kāinga Ora housing stock.



## Appendix 3 – Kāinga Ora review recommendations (continued)

### Government response

Part A of this recommendation has been accepted immediately and work is underway on this. The Minister of Housing has directed the Ministry of Housing and Urban Development develop a new contract and initiate negotiations with Kāinga Ora to put it on a more level playing field with Community Housing Providers (CHPs). A report back will go to Cabinet in August 2024 by the Minister of Housing which will include consideration of whether to accept the remaining points of this recommendation, and proposed approaches and a staged programme over the short and medium term.

### Recommendation five

#### Recommendation

To ensure that Kāinga Ora has the leadership and mandate to effectively implement the recommendations of this Review, responsible Ministers:

- refresh the Kāinga Ora board with a focus on the skills to implement the recommendations of this Review
- issue simplified government expectations and direction to Kāinga Ora

- report back to Cabinet with options to narrow the scope of Kāinga Ora activities to social housing and ensure it has the leadership and governance expertise to deliver effectively, including repealing the Kāinga Ora – Homes and Communities Act 2019 and designating Kāinga Ora as a Crown Company under Schedule 4A of the Public Finance Act 1989 with social and financial objective

#### Government response

Parts A and B of this recommendation have been accepted immediately, and implementation has started, including the appointment of a new Board Chair, and refreshing the Board. A report back will go to Cabinet in August 2024 by the Minister of Housing which will include consideration of whether to accept the remaining point of this recommendation, and proposed approaches and a staged programme over the short and medium term.

### Recommendation six

#### Recommendation

Responsible Ministers set an expectation that the board will develop a credible and detailed plan to improve financial performance with the goal of

eliminating losses. The board should be held accountable for implementing this plan through regular reporting to Ministers, supported by on-going engagement between the Kāinga Ora board, Kāinga Ora management and HUD

#### Government response

This recommendation has been accepted immediately, and implementation has started, including:

- an updated Letter of Expectations is being drafted to go to the refreshed Board
- a reduction in the delegation to the Board for individual investment decisions to \$35 million (was \$50 million)
- the Minister of Housing to request a plan from the Board to develop a credible and detailed plan by November 2024 to improve financial performance with the goal of eliminating losses as quickly as possible and present Ministers with choices around the renewal programme of the aged assets include pace, scale and procurement approaches to deliver the programme.



## Appendix 3 – Kāinga Ora review recommendations (continued)

### Recommendation seven

#### Recommendation

To generate momentum toward the recommendations above, the Panel recommends a timeframe for key milestones.

#### Government response

This timeline for relevant milestones has been accepted.







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