
**ORDINARY MEETING
OF
PŪRORO RANGARANGA | SOCIAL, CULTURAL AND
ECONOMIC
AGENDA**

Time: 9:30am
Date: Thursday, 7 October 2021
Venue: Virtual Meeting

MEMBERSHIP

Mayor Foster
Deputy Mayor Free
Councillor Calvert
Councillor Condie
Councillor Day (Chair)
Councillor Fitzsimons
Councillor Foon
Liz Kelly
Councillor Matthews
Councillor O'Neill
Councillor Pannett
Councillor Paul
Councillor Rush
Councillor Sparrow
Councillor Woolf
Councillor Young (Deputy Chair)

Have your say!

You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-803-8334, emailing public.participation@wcc.govt.nz or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

AREA OF FOCUS

The Pūroro Rangaranga | Social, Cultural and Economic Committee has the following responsibilities:

- Arts, Culture, and Community Services
- Wellington City Social Housing
- Council's City Events
- Parking Services
- Parks, Sport and Recreation
- Community resilience
- Economic development
- Māori Strategic Development.

The Committee has the responsibility to discuss and approve a forward agenda.

To read the full delegations of this committee, please visit wellington.govt.nz/meetings.

Quorum: 9 members

TABLE OF CONTENTS
7 OCTOBER 2021

Business	Page No.
1. Meeting Conduct	5
1.1 Karakia	5
1.2 Apologies	5
1.3 Conflict of Interest Declarations	5
1.4 Confirmation of Minutes	5
1.5 Items not on the Agenda	5
1.6 Public Participation	6
2. General Business	7
2.1 Reserves Act 1977: Stormwater Attenuation Easement - 33 Ladbrooke Drive, Newlands (Waihinahina park - In Memory of Dennis Duggan)	7
2.2 City Housing sustainability: CHP design options	21
2.3 Economic wellbeing strategy - engagement approach	59
2.4 Forward Programme	73
2.5 Actions Tracking	77

1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

Whakataka te hau ki te uru,	Cease oh winds of the west
Whakataka te hau ki te tonga.	and of the south
Kia mākinakina ki uta,	Let the bracing breezes flow,
Kia mātaratara ki tai.	over the land and the sea.
E hī ake ana te atākura.	Let the red-tipped dawn come
He tio, he huka, he hauhū.	with a sharpened edge, a touch of frost,
Tihei Mauri Ora!	a promise of a glorious day

At the appropriate time, the following karakia will be read to close the meeting.

Unuhia, unuhia, unuhia ki te uru tapu nui	Draw on, draw on
Kia wātea, kia māmā, te ngākau, te tinana,	Draw on the supreme sacredness
te wairua	To clear, to free the heart, the body
I te ara takatū	and the spirit of mankind
Koia rā e Rongo, whakairia ake ki runga	Oh Rongo, above (symbol of peace)
Kia wātea, kia wātea	Let this all be done in unity
Āe rā, kua wātea!	

1.2 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.3 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

1.4 Confirmation of Minutes

The minutes of the meeting held on 2 September 2021 will be put to the Pūroro Rangaranga | Social, Cultural and Economic Committee for confirmation.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows.

Matters Requiring Urgent Attention as Determined by Resolution of the Pūroro Rangaranga | Social, Cultural and Economic Committee.

The Chairperson shall state to the meeting:

-
1. The reason why the item is not on the agenda; and
 2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

The item may be allowed onto the agenda by resolution of the Pūroro Rangaranga | Social, Cultural and Economic Committee.

Minor Matters relating to the General Business of the Pūroro Rangaranga | Social, Cultural and Economic Committee.

The Chairperson shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Pūroro Rangaranga | Social, Cultural and Economic Committee for further discussion.

1.6 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 31.2 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

Requests for public participation can be sent by email to public.participation@wcc.govt.nz, by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 803 8334, giving the requester's name, phone number and the issue to be raised.

2. General Business

RESERVES ACT 1977: STORMWATER ATTENUATION EASEMENT - 33 LADBROOKE DRIVE, NEWLANDS (WAIHINAHINA PARK - IN MEMORY OF DENNIS DUGGAN)

Kōrero taunaki

Summary of considerations

Purpose

1. This report to Pūroro Rangaranga - Social, Cultural and Economic ask to approve an easement for stormwater attenuation ponds over land held under the Reserves Act 1977 at Waihinahina Park - in Memory of Dennis Duggan (the Reserve), Newlands.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- | | |
|--|---|
| Strategic alignment with priority objective areas from Long-term Plan 2021–2031 | <input checked="" type="checkbox"/> Sustainable, natural eco city
<input type="checkbox"/> People friendly, compact, safe and accessible capital city
<input type="checkbox"/> Innovative, inclusive and creative city
<input type="checkbox"/> Dynamic and sustainable economy |
| | <input checked="" type="checkbox"/> Functioning, resilient and reliable three waters infrastructure
<input type="checkbox"/> Affordable, resilient and safe place to live
<input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network
<input type="checkbox"/> Fit-for-purpose community, creative and cultural spaces
<input type="checkbox"/> Accelerating zero-carbon and waste-free transition
<input type="checkbox"/> Strong partnerships with mana whenua |

Relevant Previous decisions

Outline relevant previous decisions that pertain to the decision being considered in this paper.

Significance

The decision is rated low significance in accordance with schedule 1 of the Council's Significance and Engagement Policy.

Financial considerations

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Nil | <input type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input type="checkbox"/> Unbudgeted \$X |
|---|--|---|

Risk

- | | | | |
|---|---------------------------------|-------------------------------|----------------------------------|
| <input checked="" type="checkbox"/> Low | <input type="checkbox"/> Medium | <input type="checkbox"/> High | <input type="checkbox"/> Extreme |
|---|---------------------------------|-------------------------------|----------------------------------|

Authors	Sarah-Jane Still, Property Advisor Kate Brown, Reserves Planner
Authoriser	Paul Andrews, Manager Parks, Sports & Rec James Roberts, Chief Operations Officer (Acting)

Taunakitanga

Officers' Recommendations

Officers recommend the following motion

That Pūroro Rangaranga - Social, Cultural and Economic **Committee**:

- 1) Receive the information
- 2) Agree to grant an easement in perpetuity over land at Waihinahina Park - in Memory of Dennis Duggan, being *part of* Lot 2 DP 303502 (ROT 14039), pursuant to s48 of the Reserves Act 1977.
- 3) Delegate to the Chief Executive Officer all necessary powers to negotiate and finalise the terms of the easement, including compensation.
- 4) Note that any betterment compensation would be applied to enhancing other reserve areas in the Northern Suburbs.
- 5) Note that the works within the easement area will be subject to the relevant bylaw, building and/or resource consent requirements.
- 6) Note that the works to install the stormwater attenuation ponds will proceed in accordance with final Parks, Sport and Recreation agreement to all park management, work access, reinstatement plans, establishment, and maintenance periods.
- 7) Note that the above approval is conditional on:
 - a. public notification under sections 119 and 120 of the Reserves Act 1977; and
 - b. no sustained objections resulting from the above consultation and notification; and
 - c. approval of final design and ongoing management requirements and responsibilities by the Chief Infrastructure Officer; and
 - d. all related costs being met by Woodridge Homes Ltd.
- 8) Note that a further report will be submitted (if necessary) to summarise submissions and recommend whether to uphold objections.

Whakarāpopoto

Executive Summary

4. Council has received an application from Woodridge Homes Ltd for constructing stormwater attenuation ponds on a portion of the Reserve.
5. The proposed stormwater attenuation ponds would be owned by Wellington City Council (Council), with the stormwater management components operated by Wellington Water Limited (WWL), and the landscape and recreation components managed by Parks, Sport and Recreation (PSR).

6. An easement for a stormwater management device is required by the Reserves Act 1977 (the Act). An easement would grant a permanent right to attenuate stormwater to Council.
7. The Act and the Northern Reserves Management Plan (2008) permit easements for stormwater infrastructure on reserve land.
8. Under the Instrument of Delegation for Territorial Authorities dated 12 July 2013, the Minister of Conservation has delegated authority to Council to grant easements over reserve land under the Act.
9. This, in turn, has been delegated to the Pūroro Rangaranga | Social, Cultural and Economic Committee, under its terms of reference.

Takenga mai

Background

10. Waihinahina Park (in Memory of Dennis Duggan) is in Newlands as shown in Attachment 1.
11. The Reserve is classified as a Scenic Reserve under the Act, and contains vegetated slopes surrounding a closed landfill. The closed landfill area provides informal recreation with large grass areas, a dog exercise area, walking tracks and a carpark.
12. A channelled stream flows around the edge of the closed landfill. The stream receives water from the surrounding areas to the west of the Reserve and from some of the eastern slopes of Woodridge Homes Ltd land.
13. The stormwater attenuation proposal is for six ponds to be constructed on the western side of the closed landfill area. The ponds will be designed to attenuate, filter and slowly release stormwater runoff from a portion of Woodridge and from some of the vegetated slopes of the Reserve.
14. Both the proposed attenuation ponds and the stream channel in its entirety will be lined as part of the proposal which will reduce the risk of water entering the closed landfill.
15. The proposed attenuation ponds will be planted with filtering wetland plants. An adjacent area will be landscaped to include additional planting, paths, seating, a pā harakeke (flax plantation) and an area for processing harakeke. The draft landscape plans in Attachment 2 show the proposed landscaping along with the proposed attenuation structures.

Kōrerorero

Discussion

16. Stormwater attenuation devices to manage additional stormwater runoff generated by development are generally located on the development land. Under the Act and the Northern Reserves Management Plan 2008, proposals for stormwater infrastructure on reserve land can be considered. An assessment of proposals is undertaken on a case-by-case basis. Assessment must consider the alternatives to locating the stormwater infrastructure on reserve land, potential impacts on the reserve and its users, and whether a proposal is able to provide benefits to the reserve.

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17. An application has been received from Woodridge Homes Ltd for stormwater attenuation ponds on the Reserve.
 18. The area of the Reserve proposed for the stormwater attenuation ponds is currently a flat grass area and a stream over a portion of closed landfill. Surrounding this area are the vegetated slopes of the Reserve. Two permanent streams flow down vegetated gullies and join at the northern edge of the grass area. The stream then flows in a channel around the western edge of the grass area before passing through a culvert under the carpark access road. The stream then continues around the rest of the closed landfill cap, through Horokiwi Quarry to Te Whanganui-a-Tara, Wellington Harbour.
 19. The plan for the proposed attenuation ponds involves modifying the landfill cap, lining the landfill cap, and constructing six bunds that will act as weirs to collect and hold stormwater, releasing it in a controlled way so that high stormwater volumes in rain events are released more evenly to minimise flooding. This stormwater will be received from existing runoff, additional hard surface areas in the Woodridge development and from the surrounding reserve land.
 20. Sections of the stream will be culverted to ensure that the stream is always flowing, and that additional stormwater volumes are attenuated and released slowly. The ponds will be planted with native wetland species which will improve water quality of the attenuated stormwater. Around the wetland there will be a 20-metre-wide area of riparian planting. There will also be riparian planting of the stream below the attenuation ponds. The additional planting will offset the impacts of culverting a portion of the stream.
 21. The landfill cap consists of a layer of clay, which minimises water entering the closed landfill. The landfill cap is designed so that surface water is shed off and collected in the stream which channels the water away from the site. A council project to recontour the landfill cap and stream channel to remedy ponding on the cap (caused by landfill settlement) and improve water flow in the stream, is planned to start this summer.
 22. The stream flows around the perimeter of the landfill cap. There is a higher risk of water infiltrating the landfill along the stream. The proposal will assist with lining the reshaped stream channel in addition to lining the attenuation ponds. The lining will be an engineered watertight membrane. Together, the attenuation proposal and the recontouring project, will improve water flow and decrease leachate (contaminated water caused by water passing through the buried waste) generation. Reducing the risk of water infiltrating the closed landfill and regulation of water flow will benefit the management of the closed landfill and will ensure that the Reserve will drain well, improving recreation use.
 23. The proposed easement area currently experiences flooding with water pooling on the landfill cap upstream from the carpark access road. The proposal will better manage this water and reduce water infiltrating the landfill cap.
 24. All the necessary precautions will be in place under the Landfill Management Plan to ensure maintenance can be carried out without accidentally damaging the waterproof membrane lining.
 25. As part of the development of the draft landscape plans for the proposal, Woodridge Homes Ltd held workshops with Ngā Hau e Whā o Paparāangi, who have a Memorandum of Understanding for restoration work on the Reserve. As a result of these

-
- workshops, a pā harakeke and area for processing harakeke have been incorporated into the proposal.
26. The draft landscape plans also include recreation improvements with walking paths, seating and amenity plantings. These improvements will increase the usability and enjoyment of the Reserve by park users.
 27. Currently, Woodridge Homes Ltd has resource consent to attenuate stormwater in two stormwater detention ponds located on their land above the Reserve.
 28. These ponds, if built, would be vested in Council as stormwater assets and the underlying land as drainage reserves.
 29. If an easement is granted to attenuate stormwater on the Reserve, one or both consented ponds will not be required. The land area for both consented attenuation ponds is 3,430m². This land, if not required for attenuation, could be repurposed for housing development or neighbourhood reserve type space if required.
 30. Once detailed design is completed and approved by WWL (Land Development Team), Waste Operations and PSR, the final costs and benefits to Woodridge Homes Ltd and to Council as a result of the proposal will be understood. If on balance, the proposal will provide significant cost benefits in favour of Woodridge Homes Ltd, then financial or in kind betterment compensation will be negotiated. Any betterment compensation would be applied to enhancing other reserve areas in the Northern Suburbs.
 31. The consented ponds are designed to collect stormwater runoff in rain events and slowly release stormwater to the streams which run through the Reserve. The consented ponds are not designed to filter stormwater.
 32. The proposed ponds will function as a constructed wetland, enabling filtering of the stormwater and improving the quality of the water downstream, including Te Whanganui-a-Tara (Wellington Harbour).
 33. The proposal aligns with the change in stormwater management in Wellington, which is moving on from management of only high flow low frequency events (1 in 10-year event or larger) in order to protect people and property, to now also providing management and treatment of low flow frequency events (less than 1 in 2-year event) to protect the receiving environments. Constructed wetland areas are a type of Water Sensitive Design Stormwater Treatment Device, also known as Green Infrastructure.
 34. Approvals from WWL (Land Development Team) and Waste Operations of the final design, maintenance requirements, liability and construction methodology of the stormwater attenuation components will be required prior to construction starting. Final approvals of the constructed ponds and landscaping will be required from WWL (Land Development Team), Waste Operations and PSR before the easement is formalised.
 35. If there has been no progress on the proposal after a period of five years from 7 October 2021, any approvals for an easement will lapse and a new easement application will be required.
 36. Easements of this nature require public notification under the Act.

Kōwhiringa

Options

37. The Committee can either choose to approve or decline the easement. Similarly, on receiving feedback from the public notification for the easement, the Committee can choose to uphold objections.
38. Declining the easement would mean that stormwater attenuation for additional stormwater run off from new hardsurfaces in the Woodridge development will need to be attenuated on Woodridge Homes Ltd land; the costs of lining the stream channel will be covered by Council budgets; and the landscape components and ecological benefits will not occur through this proposal.
39. Whether approving or declining the easement, Council will own the stormwater attenuation ponds.

Whai whakaaro ki ngā whakataunga

Considerations for decision-making

Alignment with Council's strategies and policies

40. This proposal aligns with Council's strategic direction around more water sensitive urban design features in development.
41. This proposal is consistent with the Northern Reserves Management Plan.

Engagement and Consultation

42. Public notification is required under section 119 and 120 of the Act. This notification will be carried out if the proposed recommendations of this report are accepted.
43. WWL have reviewed the proposal and consider that the proposal is acceptable, subject to final stormwater calculations, detailed design and associated maintenance plans.
44. Workshops with Ngā Hau e Whā o Paparāangi were held to help develop the draft landscape plans.

Implications for Māori

45. The Northern Reserves Management Plan 2008 identifies the Horokiwi area generally as being of significance to Tangata Whenua, with a history of Maori occupation. There are no Sites of Significance to Tangata Whenua identified in the District Plan at Waihinahina Park.
46. This proposal is occurring on a highly modified area of the park. The proposal seeks to improve water quality, the natural environment and recreation opportunities.
47. Ngāti Toa Rangatira and Taranaki Whānui ki Te Upoko o Te Ika have been sent the proposal with no comment to date.

Financial implications

48. There will be no costs to Council associated with the construction and remedial works. These will be met by Woodridge Homes Ltd. and they will also pay for all costs (survey and legal) associated with the granting of the easement.

-
49. There will be an increase in PSR maintenance costs at the park associated with new paths, surfaces and vegetation maintenance.
 50. Council will also be responsible through WWL funding for maintenance and management of the site to function as intended over the long term and any renewal and repair requirements to structures and features of the area in relation to stormwater management. This will be similar or less than the maintenance costs associated with the two consented ponds that this proposal will replace. 'Non traditional' stormwater infrastructure such as the base of the constructed wetland will need particular care and monitoring by WWL due to this being on a closed landfill.
 51. If the proposal provides significant cost benefits in favour of Woodridge Homes Ltd, through enabling land to be developed, then financial or in kind betterment compensation will be negotiated.

Legal considerations

52. Council will use its solicitors to prepare and finalise the easement instrument and agreements.

Risks and mitigations

53. This proposal is rated as low risk on the Council's risk framework.

Disability and accessibility impact

54. This does not negatively impact on current levels of accessibility within the reserve.

Climate Change impact and considerations

55. Climate change predictions for Wellington City are that there will be longer dry spells, shorter wet spells and increased rainfall during extreme rain events.
56. Stormwater attenuation devices reduce the potential impacts on receiving environments (freshwater and marine) such as flooding and erosion caused by high rainfall events. The proposal will help to mitigate these effects, by capturing existing stormwater runoff from Woodridge and parts of the Reserve, as well as from additional hardsurfaces in the Woodridge development, and releasing in a controlled way.
57. Stormwater attenuation can also help to release the stormwater to streams over a longer period of time, helping to sustain stream flow during dry periods immediately following rain events.

Communications Plan

58. A public notice will be placed in the newspaper and on Council's website. In addition, information on the public notice will be sent to the Johnsonville-Newlands Community Board, Newlands Paparangi Progressive Association and Horokiwi Community Association. A sign will also be placed at the reserve carpark, with information on how to find out more about the proposal and how to make a submission.

Health and Safety Impact considered

59. Health and Safety will be addressed in the approvals of the final plans (including public safety around the ponds and stream), PSR landowner approvals (permit for the construction period) through conditions of approval, Woodridge Homes Ltd's construction management plans, and the Landfill Recontouring Project's construction management plans.

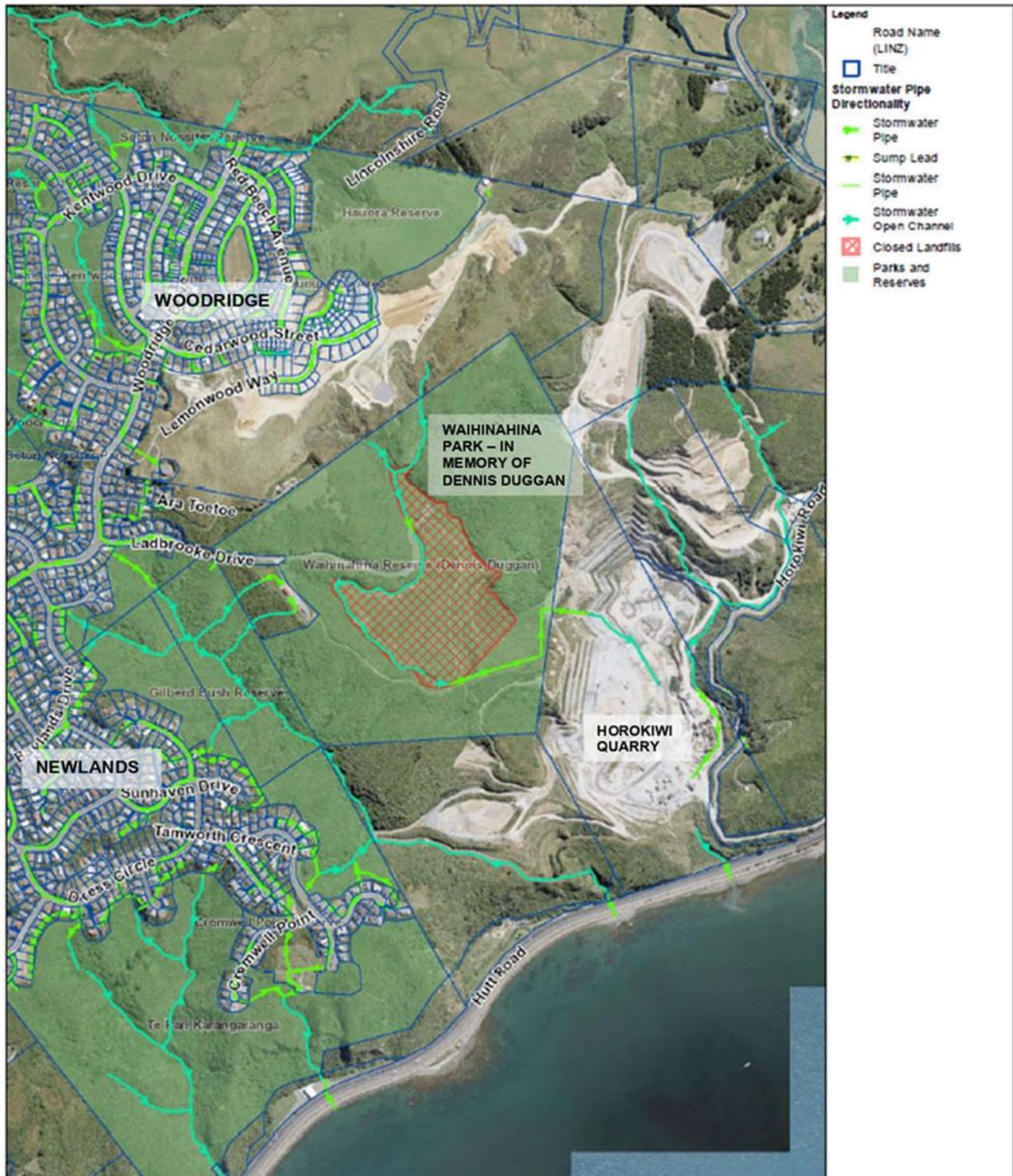
Ngā mahinga e whai ake nei

Next actions

60. If the proposed resolutions are accepted, officers will advertise the proposal.
61. If objections are received and are unable to be resolved, then these will be reported to Committee for further consideration.

Attachments

- | | | |
|---------------|---|---------|
| Attachment 1. | Location Plan ↓  | Page 15 |
| Attachment 2. | Landscape Plans ↓  | Page 16 |



August 19, 2021

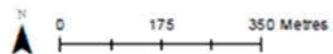
Disclaimer:
The use of any land or property information in OneMap is entirely at the user's own risk and discretion. Wellington City Council does not give any warranty that any information contained is accurate or complete. The Council does not accept any responsibility or liability for any action taken, or omission made, in reliance on information obtained from OneMap.

Data Statement:
Property boundaries, 20m Contours, road names, rail line, address & site points sourced from Land Information NZ. Assets, contours, water and drainage information shown is approximate and must not be used for detailed engineering design. Other data has been supplied from a variety of sources and its accuracy may vary, but is generally +/- 1m. Crown Copyright reserved.

Property Boundaries Accuracy:
+/- 1m in urban areas
+/- 30m in rural areas

Data Source:
Census data - Statistics NZ
Postcodes - NZ Post

1:8,000



Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke



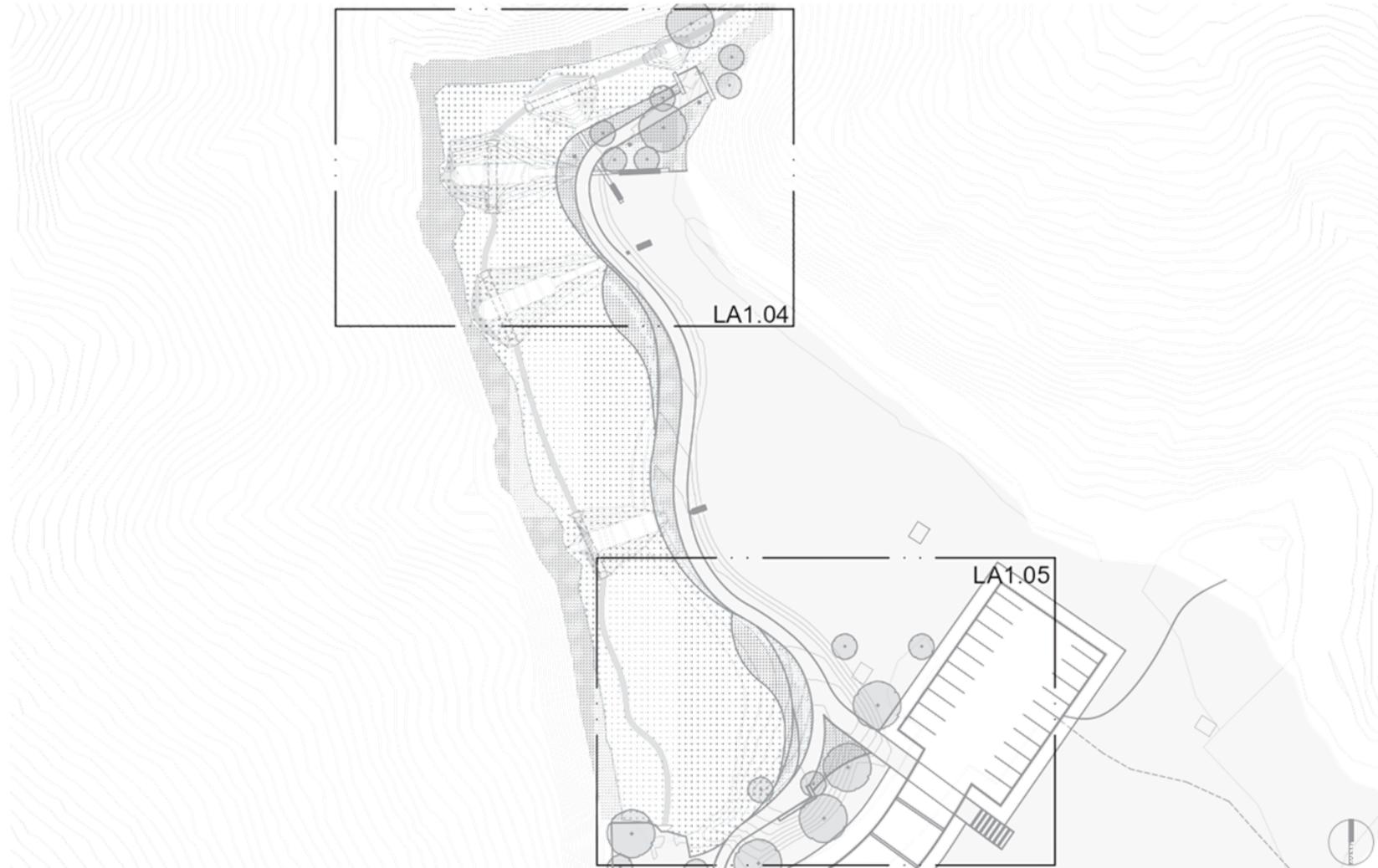
waihinahina reserve

master plan

project number: 1704-921 date drawn: 19.04.17
drawing number: LA1.02 scale: 1:500 @ A3
revision: 1- 21.11.18 issue: For Resource Consent

DR Edmund Gie
Te Anu, Wellington
phone: 64 (04) 8014487
email: local@electrinc





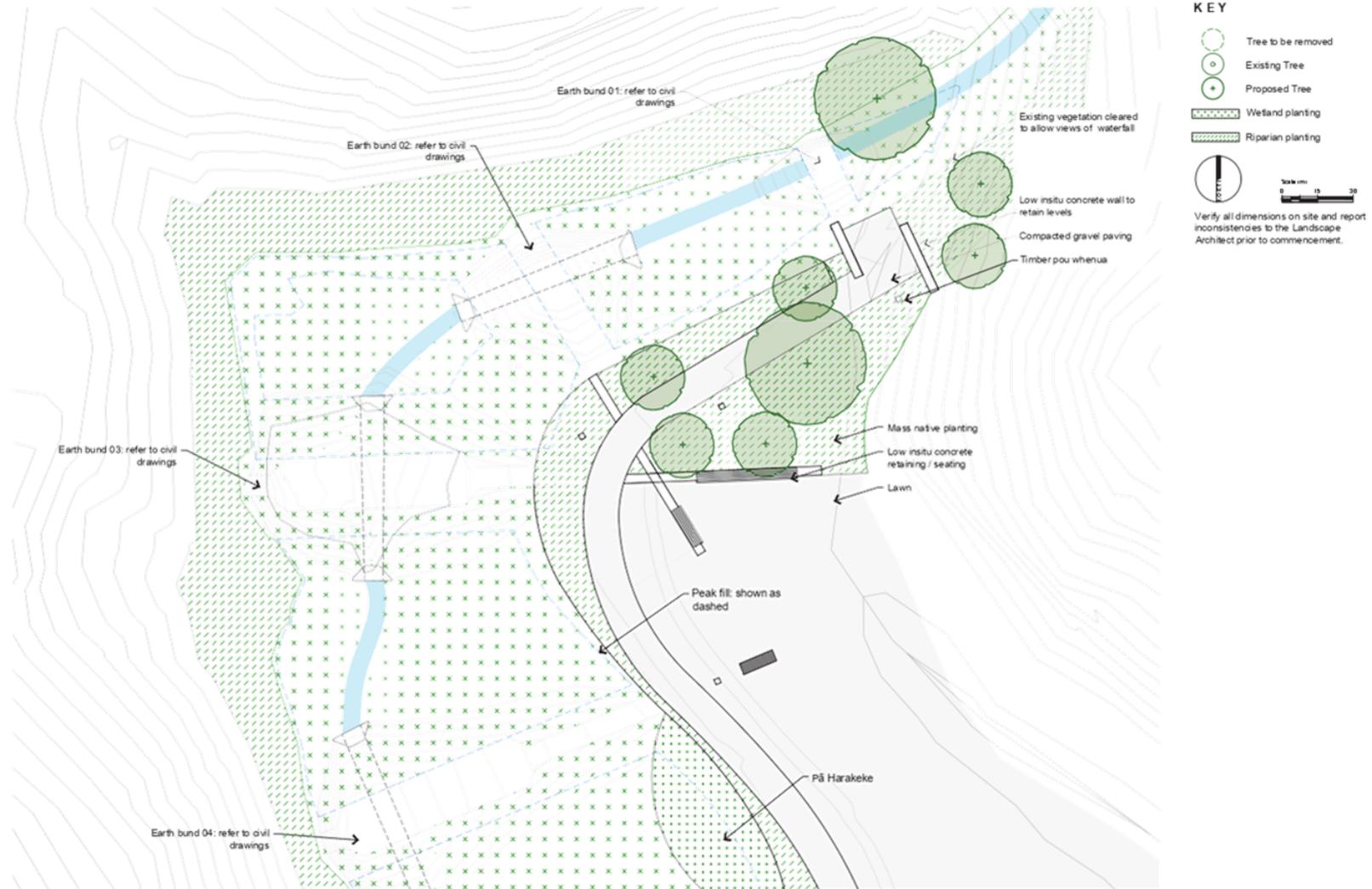
waihinahina reserve

landscape reference plan

project number: 1704-921 date drawn: 19.04.17
drawing number: LA1.03 scale: 1500 @ A3
revision: 1-21.11.18 issue: For Resource Consent

11 Winton St
Te Anu, Wellington
phone: 64 (04) 801 4437
email: local@electrolink



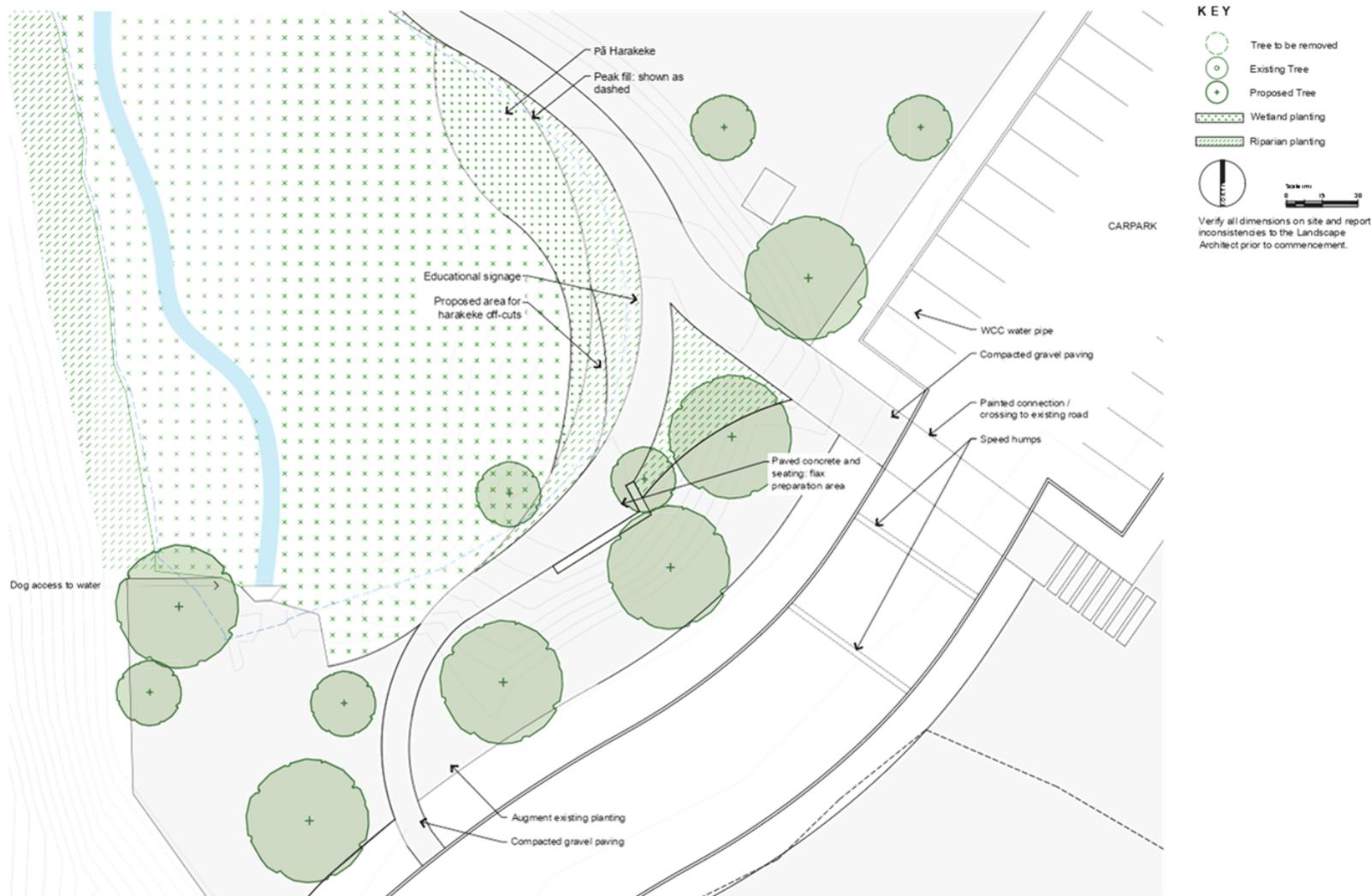


waihinahina reserve

landscape plan

project number: 1704-921 date drawn: 19.04.17
 drawing number: LA1.04 scale: 1:200 @ A3
 revision: H- 21.11.18 issue: For Resource Consent

DR Edmund O'S
 Te Anu, Wellington
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 email: localcollective.nz
local



waihinahina reserve

project number: 1704-921 date drawn: 19.04.17
 drawing number: LA1.05 scale: 1:200 @ A3
 revision: H- 21.11.18 issue: For Resource Consent

landscape plan

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CITY HOUSING SUSTAINABILITY: CHP DESIGN OPTIONS

Purpose

1. This paper focuses on one of two parallel workstreams directed by the Committee to resolve City Housing's financial sustainability.
2. This paper recommends a model for a Community Housing Provider that will resolve City Housing's financial sustainability challenges. It also seeks the Committee's approval to consult with the public on a Community Housing Provider, alongside other reasonably practicable options that would resolve City Housing's financial situation.
3. The second workstream (direct discussions with the Crown) is discussed briefly but is not the focus of this paper.

Kōrero taunaki

Summary of considerations

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- | | |
|--|--|
| Strategic alignment with priority objective areas from Long-term Plan 2021–2031 | <input type="checkbox"/> Sustainable, natural eco city |
| | <input checked="" type="checkbox"/> People friendly, compact, safe and accessible capital city |
| | <input checked="" type="checkbox"/> Innovative, inclusive and creative city |
| | <input type="checkbox"/> Dynamic and sustainable economy |
| | <input type="checkbox"/> Functioning, resilient and reliable three waters infrastructure |
| | <input checked="" type="checkbox"/> Affordable, resilient and safe place to live |
| | <input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network |
| | <input checked="" type="checkbox"/> Fit-for-purpose community, creative and cultural spaces |
| | <input type="checkbox"/> Accelerating zero-carbon and waste-free transition |
| | <input type="checkbox"/> Strong partnerships with mana whenua |

Relevant Previous decisions

On 2 June 2021, Pūroro Rangaranga agreed to two parallel tracks of work on City Housing sustainability, including direct discussions with the Crown and to begin work to establish a Community Housing Provider. This paper is the report back requested by the Committee on 2 June.

Significance

The decision is rated high significance in accordance with schedule 1 of the Council's Significance and Engagement Policy. The proposal meets the following criteria: Importance to Wellington City, Community Interest, and Impact on Council's Capacity and Capability.

Financial considerations

Nil Budgetary provision in Annual Plan/Long-term Plan Unbudgeted \$X

Risk

Low Medium High Extreme

Author	Katherine Meerman, Chief Advisor
Authoriser	James Roberts, Chief Operations Officer (Acting)

Taunakitanga

Officers' Recommendations

Officers recommend that Pūroro Rangaranga - Social, Cultural and Economic Committee:

- 1) Receive the information
- 2) Note, following direction by Pūroro Rangaranga in June, officers are pursuing two parallel tracks to resolve City Housing's financial sustainability challenges, including:
 - a. direct discussions with the Crown seeking opportunities to partner in new social housing supply and Crown financial support for City Housing (particularly access to the Income Related Rent Subsidy (IRRS)) to resolve City Housing's financial sustainability challenges
 - b. beginning design work to establish a new Community Housing Provider (CHP)
- 3) Note City Housing is in an unsustainable financial position, with operating and capital funding shortfalls, and cash reserves that will be depleted by 2022/23, and will be unable to meet Deed of Grant requirements beyond FY2022/23
- 4) Note, as directed by Pūroro Rangaranga in June, the Mayor wrote to the Ministers of Housing and Finance seeking to discuss resolution of City Housing's financial challenges and, following this, the Mayor, Councillor Fitzsimons, and officers met with the Minister of Housing in September
- 5) Note that following this meeting, officers are actively working with the Ministry of Housing and Urban Development (HUD) and Kāinga Ora to consider ways in which the Crown and Council may work together to resolve City Housing's financial situation (Crown Support Option)
- 6) Note that there is currently no certainty about if or when a decision on the Crown Support Option would be made by the government
- 7) Note that, given the limited time between now and 2022/23, the two workstreams (discussions with the Crown and CHP design) need to continue to progress in parallel
- 8) Agree that the following prioritised objectives will guide analysis of options, including determination of a preferred option, across the two parallel workstreams:
 - a. **Tenant wellbeing:** Improve the rental affordability and social outcomes for existing and future social housing tenants

-
- b. **Financial sustainability:** Return the social housing service and portfolio to a stable, long-term financial footing, while minimising any adverse impact on the Council's financial position and/or borrowing capacity
 - c. **Increase supply:** Increase the supply of social housing in the Wellington region
 - d. **Housing upgrades:** Meet the Council's commitment under the Deed of Grant to deliver the second half of the upgrade programme and meet its \$180m share of the cost
 - e. **Partnerships:** Create opportunities for community partnership in the delivery of social housing and other services and housing development
 - f. **Feasibility:** Ensure the solution is feasible to deliver and implement in the short-term
 - g. **Flexibility:** For CHP options only, provide Council with flexibility to adjust the design of the CHP in the future, subject to the CHP's performance, or to take advantage of future opportunities
- 9) Note that, in designing a CHP, the Council needs to make five key decisions:
- i. **What kind of legal entity should the CHP be** – this determines its ownership and governance arrangements, and the Council's role in governance
 - ii. **Should the Council transfer housing assets to the CHP** – this determines the extent to which the CHP can pursue new supply and redevelopment objectives and the Council's ownership of the portfolio
 - iii. **Aside from housing assets, should the Council provide the CHP with an upfront capital injection** – this determines the pace at which it can advance the upgrade work and pursue new supply and redevelopment objectives
 - iv. **What services should the CHP provide** – this determines whether the CHP only provides tenancy services and manages minor/reactive repairs or whether it also manages major property maintenance and upgrades. A CHP could also offer an expanded range of support services by tendering for government social service contracts
 - v. **How will the CHP finance the housing upgrade programme** – this determines whether the CHP finances the upgrades directly using its own balance sheet, or whether it uses the Council's balance sheet, or finances the programme via an alternative off-balance sheet financial arrangement
- 10) Note that this paper seeks decisions on questions i-iv. and that question v. will be brought back to the Committee for consideration, along with further advice, in May 2022
- 11) Note officers have developed three shortlisted CHP options and assessed these against the objectives in Recommendation 8:
- a. **Option 1 ("Maximum" CHP):** Independent community-owned trust (or limited partnership or company), with full asset transfer, no additional capital injection, and a full-service offering (not officer preferred)

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- b. **Option 2 (“Intermediate” CHP):** Independent community-owned trust (or limited partnership or company), with leasehold assets, “medium” capital injection, and a transition to a full-service offering (with Option 2 – independent community-owned trust (Option 2 – ICT) as officer preferred)
 - c. **Option 3 (“Minimum” CHP):** Independent community-owned trust (or limited partnership or company), with leasehold assets, “low” capital injection, and limited service offering (not officer preferred)
- 12) Agree that Option 2 – ICT is the Council’s preferred CHP option, on the basis that it best meets the prioritised objectives set out in Recommendation 8
 - 13) Agree to consult through a Special Consultative Procedure (with a consultation document and corresponding LTP amendment) as part of next year’s Annual Plan, on the reasonably practicable options to address City Housing’s financial sustainability, being:
 - a. Three shortlisted CHP options set out in Recommendation 11 above (with Council preference indicated for Option 2 – ICT)
 - b. Fully funding the operating deficit through rates and debt funding the capital programme
 - 14) Note the proposals for consultation will note that:
 - a. Feedback is being sought on the public’s preferred way forward if the Crown does not provide support or if the Crown Support Option is insufficient to return the portfolio to a financially sustainable footing
 - b. If, following completion of the consultation process, the Crown does provide support, then further consultation may occur, if required, in relation to the Crown Support Option
 - 15) Note that all options, including options under discussion with the Crown, are likely to require either amendment to the Deed of Grant or approval under the Deed of Grant
 - 16) Direct officers to report back to the AP/LTP Committee by March 2022 with the following:
 - a. Consultation document, Statement of Proposal (and corresponding LTP amendment) and engagement programme for review, prior to audit of the consultation material
 - 17) Direct officers to report back to Pūroro Rangaranga by May 2022 with further detailed CHP design advice on:
 - a. CHP governance arrangements, including partnership opportunities (further detail on question i)
 - b. Source, form and timing of CHP capitalisation (further detail on question iii)
 - c. Design of a ring-fenced major maintenance fund (further detail on question iv)
 - d. Options to finance the upgrade programme (question v)

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- e. CHP registration process and requirements
 - f. A CHP transitional support package that will meet the Council's financial commitments under the Deed of Grant and provide early support for the CHP while the IRRS revenue stream increases over time.

Whakarāpopoto

Executive Summary

4. In June, Pūroro Rangaranga directed officers to pursue two parallel tracks to address City Housing's financial sustainability challenges. These included:
 - a. direct discussions with the Crown seeking opportunities to partner in new social housing supply and Crown financial support for City Housing to resolve City Housing's financial sustainability challenges (Crown Support Option), and
 - b. beginning design work to establish a new CHP.
5. City Housing has had financial challenges for many years. The Deed of Grant signed with the Crown in 2007 was intended to put City Housing back onto a long-term sustainable footing, enabling it to operate as a fully self-funding service. However, the underlying business model, which relies on discounted rent and no other sources of income, cannot support a financially sustainable service.
6. Increasingly too, City Housing rents are unaffordable for tenants and potential tenants are being turned away because they cannot afford City Housing rent. These potential tenants will end up on the government's public housing waiting list.
7. Limited income and growing cost pressures means City Housing now runs a significant operating deficit and has a large shortfall in capital funding for asset maintenance and upgrades. Without other sources of funding, City Housing will be insolvent and unable to meet the Council's upgrade requirements and cost commitments under the Deed beyond FY 2022/23.
8. Following the June Committee meeting, the Mayor wrote to the Ministers of Housing and Finance, seeking direct discussions with the Crown to resolve City Housing's sustainability. Following a meeting with the Minister of Housing, the Minister has asked HUD and Council officers to work on potential options for support, including necessary changes to the Deed of Grant. However, there is currently no certainty about if or when a decision on any potential support may be made by the government.
9. If the Crown does not provide financial support, or if the financial support does not adequately resolve City Housing's financial sustainability, the Council has three overarching options – rates and debt funding, divestment of the portfolio, or establishing a CHP. For the reasons set out in this paper, officers consider that only rates and debt funding and establishing a CHP are reasonably practicable options when assessed against the objectives set out in paragraphs 56 to 58. Officers' preferred option is to establish a CHP and this paper provides advice on three shortlisted CHP options and a preferred model (being Option 2 – ICT).
10. All options, including options under discussion with the Crown, are likely to require either amendment to the Deed of Grant or approval under the Deed of Grant.

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11. All options need to be assessed against a common set of objectives to determine the appropriate way forward. This paper recommends a set of prioritised objectives by which to assess the rates/debt, divestment, and shortlisted CHP options. Officers' view is that the most important objectives are to improve tenant wellbeing through increased rental affordability, resolve the financial sustainability challenges while managing the impact on the Council's wider financial position, and to increase the supply of social housing in Wellington.
 12. There are many possible CHP models – as well as determining the objectives it wants to achieve, the Council needs to consider five key design questions:
 - i. What kind of legal entity should the CHP be?
 - ii. Should the Council transfer housing assets to the CHP?
 - iii. If the assets are not transferred, what value of upfront capital injection is needed to set the CHP up for success?
 - iv. What services should the CHP provide?
 - v. How will the CHP finance the housing upgrade programme?
 13. Officers have developed three shortlisted CHP options based on the key design questions – Option 1: a “maximum” scale option, Option 3: a “minimum” scale option, and Option 2: an “intermediate” option.
 14. Officers recommend the “intermediate” option using an independent community-owned trust (i.e., Option 2 – ICT) as it best meets the objectives around tenant wellbeing, Council financial impact, and new supply. It is also feasible to deliver within the necessary timeframes and retains future flexibility for the Council to adapt the design over time, as the CHP matures or to take advantage of future opportunities.
 15. Under Option 2 - ICT, the CHP would be set up as an independent community-owned trust. Assets would be leased to the trust (not transferred) via a leasehold agreement and the CHP would be capitalised with at least a “medium” level of up-front capital (\$20-50m) to enable it to quickly get underway with HUP2 work and invest in new supply. Under this model, the CHP would deliver a “full” service offering and be responsible for tenancy management, minor/reactive maintenance and major maintenance and upgrades (including the HUP2 programme). As the asset owner, the Council would retain some control on major asset maintenance and upgrades through the establishment of a ring-fenced major maintenance fund.
 16. The Council has committed under the Deed of Grant to contribute \$180m to the upgrade programme. Officers recommend that Council considers a CHP transition support package to meet this commitment and ensure the CHP is set up for sustainable, long-term success.
 17. The Council has already contributed costs towards the programme through funding the cost overrun of HUP1 and committed to supporting the City Housing operations for three years while an alternative funding arrangement is put in place. Officers will provide further advice about transitional support by May 2022, but support could include:
 - a. Capital support through the provision of unencumbered assets at point of establishment or phased over a transition period (e.g., upfront capital injection)

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- b. Time-limited operating support to reduce operating costs in the transition period.
18. The report back to the Committee in May 2022 will also include further detailed advice on governance arrangements and partnership opportunities, CHP registration requirements, options to finance the upgrade programme, the source and timing of upfront capitalisation, and the operation of a ring-fenced major maintenance fund.
 19. The Council will need to consult with the public under a Special Consultative Procedure (SCP) on the reasonably practicable options, being the three CHP options and rates/debt funding, to determine the public's preferred solution. A corresponding LTP amendment needs to be completed and included in the consultation process.
 20. This paper seeks the Committee's agreement to run an SCP as part of next year's Annual Plan process. This will enable the public to provide feedback on their preferred option for change if the necessary financial support was not available from the Crown.
 21. The sustainability work is on a critical timeline – City Housing's cash reserves will be depleted in 2022/23 and, through the LTP process, the Council indicated that an alternative operating model for housing is needed by 2023/24. Some options being considered have important implementation and transition lead times which need to be allowed for. Consulting through the Annual Plan process will ensure adequate time is available for this implementation and transition; consulting later than the Annual Plan may compromise delivery within the necessary timeframes.

Takenga mai

Background

22. In June 2021, Pūroro Rangaranga considered advice on the options available to the Council to address City Housing's long-term financial sustainability challenges. These options included:
 - a. Removal of the ring-fencing of City Housing operations by fully rates funding the operating deficit and debt funding the full capital programme (not officer preferred)
 - b. Full or partial divestment of the City Housing portfolio (not officer preferred)
 - c. Establishment of a CHP (officer preferred).
23. Pūroro Rangaranga directed officers to pursue two parallel tracks to continue this work. These included:
 - a. direct discussions with the Crown seeking opportunities to partner in new social housing supply and Crown financial support for City Housing to resolve City Housing's financial challenges (Crown Support Option), and
 - b. beginning design work to establish a new CHP.
24. City Housing has had financial challenges for many years. The Deed of Grant signed with the Crown in 2007 was intended to put City Housing back onto a long-term sustainable footing, enabling it to operate as a fully self-funding service. However, the underlying business model, with tenant rents set at 70% of market rents and no other sources of subsidy or income, cannot support a financially sustainable service.

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25. City Housing tenants currently pay rent at 70% of market-assessed rents, regardless of their income and circumstances. This compares unfavourably to low-income tenants living in other social housing in Wellington (e.g., Kāinga Ora or CHP properties), who pay an “Income Related Rent (IRR)” of no more than 25% of their net income, with the remainder ‘topped-up’ by IRRS.
 26. City Housing rents are increasingly unaffordable for tenants and potential tenants are being turned away because they cannot afford City Housing rental rates. Rental property indices indicate Wellington rents have increased 37% since 2016 – movement in market rents pushes up City Housing rents and, as the properties are upgraded, their market valuation increases which will add further upward rental pressure. As a result, many potential City Housing tenants are ending up on the government’s public housing waiting list.
 27. Limited income combined with growing cost pressures means City Housing now runs a significant operating deficit and has a large shortfall in capital funding for asset maintenance and upgrades.
 - a. The operating deficit is forecast to be \$7m in year 1 of the 2021-31 Long-term Plan (LTP) and the full costs of the capital programme (including the housing upgrade programme, Healthy Homes, and routine maintenance) are approximately \$446m over the LTP period. City Housing has current cash reserves of \$50.6m.
 - b. Together, this means that without other sources of funding to address both operating and capital shortfalls, City Housing will be insolvent and unable to meet the requirements of the Deed beyond FY 2022/23.
 28. The Deed of Grant requires the Council to remain as a social housing provider until at least 2037 and details a \$400m upgrade of the portfolio. The Crown committed \$220m to upgrade the first half of the portfolio (HUP1), which has been completed, and the Council agreed to fund \$180m to complete the second half of the upgrade programme (HUP2). Council is required to start work on HUP2 in 2022, however substantive work cannot begin until funding is secured.
 29. The estimated costs of HUP2 have increased considerably since the Deed was signed and are now estimated to be approximately \$286m, based on a QS assessment completed in May 2020. It is worth noting, that by the time HUP2 work starts next year, it will be two years since this QS work was completed, meaning the actual costs of the programme are likely to be higher.
 30. Following the June meeting, officers have progressed both parallel workstreams as directed by the Committee. This paper reports back as directed on:
 - a. Options for the design and structure of a CHP
 - b. Implications of a preferred CHP model for the Council’s balance sheet and the Deed of Grant, and
 - c. Consultation requirements under the Local Government Act.
 31. This paper also updates the Committee on the direct discussions with the Crown on financial support and partnership opportunities to contribute to increased social housing supply for Wellington.

Kōrerorero

Discussion

Update on central government engagement

32. Following the resolutions of the June 2021 Committee meeting, the Mayor wrote to the Ministers of Housing and Finance, seeking direct discussions with the Crown to resolve City Housing's financial sustainability and to continue to seek access to the IRRS for City Housing tenants, which the Council estimates would cost \$13.2m per year for the approximately 85% of tenants who are eligible.¹ The Minister of Housing's response was tabled at the August Committee meeting. Both letters are attached as Appendix 1 and Appendix 2.
33. On 9 September 2021, the Mayor, Councillor Fitzsimons, the Chief Executive and officers from Council and HUD met with the Minister of Housing. In the meeting, the Mayor and the Chief Executive outlined the challenges faced by City Housing and the options the Council has considered to resolve these challenges (including rates funding, divestment and work underway to establish a CHP). They also sought agreement to work with the Crown on options for financial support for City Housing as well as options for the Crown and Council to partner to increase social housing supply and contribute to the Crown's public housing targets.
34. The Minister has asked that HUD and Council officers do further work on potential options for support and partnership, including on any necessary changes to the Deed of Grant to give effect to any agreement. There is however currently no certainty about if or when a decision on any potential support may be made by the government.
35. Council and HUD officers will ensure the progress of work on the Crown Support Option will be well coordinated with progress on the CHP design to best support Ministers and Council to make decisions on the way forward. These two streams of work will need to continue to run in parallel, at least until there is clarity about any potential government support.

Recap on core options available for the Council

36. If the work between the Crown and Council does not resolve City Housing's financial challenges (i.e., because the Crown chooses not to provide financial support or if the financial support does not resolve City Housing's operating and capital funding challenges), the Council has three broad options to address financial sustainability. These options include rates and debt funding, divestment of the portfolio, or establishment of a CHP. Of these three options, officers consider that only rates and debt funding and establishment of a CHP are reasonably practicable options when assessed against the objectives set out in paragraphs 56 to 58.
37. To make a decision, under the Local Government Act, the Council will need to consult with the public under a Special Consultative Procedure (SCP) on reasonably practicable options to address the identified issues, and ensure that the LTP is amended so that the decision is explicitly provided for in the LTP. This requires a corresponding LTP amendment to be completed and included in the consultation process.

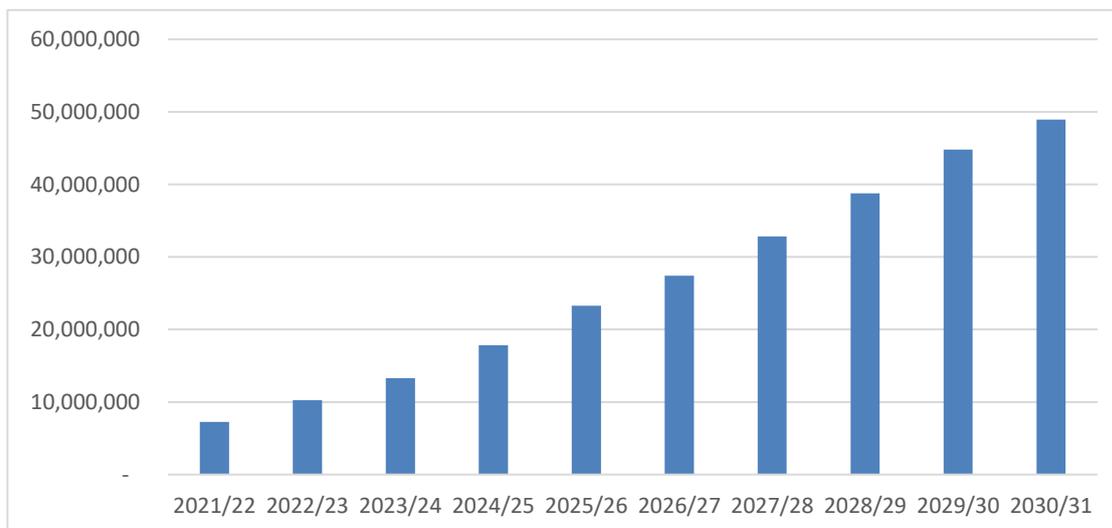
¹ \$13.2m is net of the current Accommodation Supplement cost which some City Housing tenants currently receive.

38. This paper seeks the Committee's agreement to run an SCP as part of next year's Annual Plan process. This will enable the public to provide feedback on their preferred option for change if the necessary financial support was not available from the Crown. The Annual Plan process will require the SCP to be run in March/April next year with Council decisions on the way forward taken by May/June.
39. The sustainability work is on a critical timeline – City Housing's cash reserves will be depleted in 2022/23 and the Council indicated through the LTP process that an alternative operating model for housing is needed by 2023/24. Some options being considered have important implementation and transition lead times that need to be allowed for. In particular, the CHP option will require the Council to carry out a further 12-18 months of detailed design and operational transition work to enable the CHP to be operational in the 2023/24 year, in line with commitments made through the LTP process. Consulting through the Annual Plan process will ensure adequate time is available for this implementation and transition; consulting later than the Annual Plan timeframes may compromise delivery within the necessary timeframes.

Option 1: Rates and debt funding (not officer preferred – only meets some objectives)

40. Under this option the Council could decide to change the revenue and financing policy settings for City Housing to remove the operational ring-fence and use rates funding to fully subsidise the costs of operation and borrow to meet capital costs.
41. This option is not recommended as it does not adequately meet the first two objectives in paragraph 58 below – notably it does not improve tenant wellbeing and does not adequately manage the costs of housing alongside other Council financial pressures. Additionally, because of the financial impact it has on Council (through higher rates and borrowing to simply afford current operating and capital commitments), it limits the ability of Council to achieve the third objective of increased supply.
42. Over the ten-year period of the LTP, the total rates requirement is projected to increase by 80% (\$275m) from \$343m in 2020/21 to \$618m in 2030/31. To fully fund City Housing's operating deficit, a further rates requirement of \$265m would be required over ten years, or a further 15% increase in total rates required. The annual rates requirement for housing increases significantly each year reaching \$49m by year ten. On average, this combined requirement equates to an average 7% increase year-on-year, assuming no additional Council spending or initiatives over the ten-year period.
43. There are several considerable pressures that are not yet funded in the existing LTP, which are likely to be incurred over the next ten years. This could include potential cost over runs in the infrastructure programme, other funding tools (e.g., congestion charging) not being available through LGWM, deterioration in insurance markets and availability of insurance cover, regulatory changes that push up costs, and/or seismic or climate-related costs. Given the potential impact of these pressures on ratepayers and the Council's borrowing, it is prudent to explore other funding solutions, where these are available (as they are in housing).

Figure 1: Annual rates requirement for housing operating deficit (\$)



44. Through the LTP process, the Council identified the City Housing operating costs are not sustainable and an alternative funding approach is needed within three years – City Housing’s cash reserves (\$50.6m) and debt would be used to fund the three-year period, enabling City Housing to continue to operate and meet its Deed commitments, until an alternative arrangement was in place. Costs from year four would be met by a new model, following public consultation.

Option 2: Full/partial divestment of the portfolio (not officer preferred – does not meet objectives)

45. Under this option the Council could choose to divest the City Housing portfolio in full or part to another housing provider. This option is not recommended because it does not meet any of the specified objectives set out in paragraphs 56 to 58 below or reflect the Council’s broader commitment to social housing provision. Notably, not only does it not improve tenant wellbeing, it may in fact negatively affect tenant wellbeing. In addition, it does not resolve the financial situation for the Council and does not increase the supply of social housing in Wellington.
46. There are also few community or public housing providers of sufficient scale (beyond Kāinga Ora) who could afford to purchase the portfolio, meaning it may not be a viable option (even if the objectives were met). This option would require Crown approval under the Deed of Grant.
47. Divestment would have significant impacts on the Council’s balance sheet, as the portfolio would not sell for anything close to its \$800m balance sheet value. Retaining the portfolio as community housing means its transfer value is based on the future value of its (below market) rental revenue not on the value of the land and improvements.
48. Market value of the portfolio is currently estimated at \$493m but, if sale were considered, there would likely be a further discount on this to take account of the \$286m HUP2 liability. The Council would also lose all future rental revenue which would negatively impact its LGFA covenants, thereby reducing borrowing capacity. Under this option, it is also likely that the Council would be required to pay back the Crown’s \$220m capital upgrade contribution under the Deed of Grant.

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49. Given it does not meet the specified objectives and the likely difficulties finding a suitable purchaser, officers do not consider this to be a reasonably practicable option and recommend it is not included for public consultation.

Option 3: Establish a CHP (officer preferred – best meets objectives)

50. Under this option, the Council establishes a new CHP that would enable new, eligible tenants to pay an affordable income-related rent (topped up by the IRRS), which would both improve tenant wellbeing through improved rental affordability and resolve the Council's operating deficit over time. This option is preferred by officers as it best meets the objectives set out in paragraphs 56 to 58 below.
51. A CHP is a housing provider that delivers either public and/or affordable housing and is registered with the Community Housing Regulatory Authority (CHRA) under the Public and Community Housing Management (Community Housing Provider) Regulations 2014. The regulations do not currently permit a Council, CCO, or any Council or CCO subsidiary to register as a CHP. Beyond this, the regulations do not prescribe a specific structure for CHPs so there are choices the Council can make about how to set it up to best deliver on Council objectives.
52. Once registered, CHPs can apply for access to IRRS funding for eligible tenants. They can also qualify for community housing entity income tax exemptions (or may qualify for charity income tax exemptions, if structured as a registered charity), can raise finance to fund capital works, and can access further Crown subsidies for development activity that accelerate increases in housing supply.
53. By virtue of their financial advantages, CHPs, if designed well and given access to sufficient capital, can be well-placed to contribute to new supply. They also provide opportunities for community partnership in the delivery of housing services, wrap-around support services and housing development, given their ability to contract directly with the government as a service provider.
54. CHPs are monitored annually by the CHRA and are required to meet performance criteria set out in the regulations which cover governance, management, tenancy management, financial viability, and property and asset management. A registered CHP is required to have a tenancy complaints process, and the CHRA monitors this process to ensure complaints are effectively managed. Tenants can escalate a complaint to the CHRA if they are not satisfied with the CHP's procedures.
55. There are many ways a CHP could be designed. Officers have developed three shortlisted options for Council consideration and public consultation and have recommended a preferred design that would best meet the objectives discussed below (being Option 2 – ICT). Any option would need to be considered against the Deed of Grant, and whether any amendments to the Deed of Grant or any Crown approvals would be required.

Objectives to guide options analysis and decision making

56. To assess options and determine the Council's preferred way forward, a set of objectives are needed to guide decision making. The objectives below are used in this paper to assess the rates/debt and divestment options as well as the three shortlisted CHP structures.
57. The proposed objectives have been developed to reflect Council's previous discussions about social housing goals. They are presented in proposed priority order – with the top three recommended priorities being the wellbeing of tenants, resolving the financial situation for Council, and increasing the supply of social housing for Wellington.

58. The full proposed list of objectives is:

Objectives focused on community and Council outcomes

- a. **Tenant wellbeing:** Improve the rental affordability and social outcomes for existing and future social housing tenants
- b. **Financial sustainability:** Return the social housing service and portfolio to a stable, long-term financial footing, while minimising any adverse impact on the Council's financial position and/or borrowing capacity
- c. **Increase supply:** Increase the supply of social housing in the Wellington region
- d. **Housing upgrades:** Meet the Council's commitment under the Deed of Grant to deliver the second half of the upgrade programme and meet its \$180m share of the cost
- e. **Partnerships:** Create opportunities for community partnership (e.g., with iwi) in the delivery of social housing and other services and housing development

Objectives focused on practical considerations

- f. **Feasibility:** Ensure the solution is feasible to deliver and implement in the short-term
- g. **Flexibility:** For CHP options only, provide Council with flexibility to adjust the design of the CHP in the future, subject to the CHP's performance, or to take advantage of future opportunities.

Kōwhiringa

Options

Five key design decisions

59. The specific structure chosen for a CHP will be determined by the objectives the Council wants to achieve (set out above) and the answers to the following five key questions:

- i. **What kind of legal entity should the CHP be** – this determines its ownership and governance arrangements and the Council's role in governance
- ii. **Should the Council transfer housing assets to the CHP** – this determines the nature of the ongoing control the Council has over the existing housing portfolio and the extent to which the CHP can pursue new supply and redevelopment objectives
- iii. **If the assets are not transferred, what value of upfront capital injection is needed to set the CHP up for success** – the value of the upfront capital provided determines the pace at which the CHP can advance the upgrade work and pursue new supply and redevelopment objectives
- iv. **What services should the CHP provide** – this determines whether the CHP provides tenancy services and minor/reactive repairs only or whether it also manages major property maintenance/upgrade work. A CHP could also offer an expanded range of support services by tendering for government social service contracts

- v. **How will the CHP finance the housing upgrade programme** – this determines whether the CHP finances the upgrades directly using its own balance sheet, or whether it uses the Council's balance sheet, or finances the programme via an alternative off-balance sheet financial arrangement.
60. Importantly, the CHRA registration requirements mean that the Council must not control the CHP from an ownership, governance, or a day-to-day operational perspective. It must be at arm's length. The Council can, however, play a key role in the CHP through the decisions made about governance, capitalisation, scope of services and asset ownership (questions i to iv above). The design will also need to consider the impact of choices on the Council's balance sheet and the implications for the Deed of Grant.
61. The three shortlisted CHP options have considered the lessons learnt from Haumaru Housing in Auckland, Ōtautahi Community Housing Trust (OCHT) in Christchurch, and other CHP models. Further discussion on the lessons learnt from OCHT and Haumaru are discussed below, and a summary of other CHP structures is included in Appendix 3.

Question 1: What kind of legal entity should the CHP be?

62. Public housing regulations do not prescribe the type of legal entity that a CHP must be. However, the regulations do not permit a local authority or CCO to register as a CHP. The regulations do however allow for a CHP to be either a minority-owned subsidiary of the council or a minority-owned subsidiary of a CCO, or a more independent organisation (such as a charitable trust). In any case, the CHP must operate genuinely at arm's length from the Council:
- a. To ensure the CHP is independent, the organisation must be governed at arm's-length of and cannot be controlled by Council. This means Council's shareholding or governance stake in the entity is capped at a maximum 49%.² The Council can appoint a minority of trustees/directors to the CHP's board, and rules for quorum at board meetings and board voting mean the Council-appointed trustees or directors cannot constitute a majority of those present at any time.
 - b. Further, the CHP must be managed at arm's lengths of Council. Responsibility for tenancy management must be transferred to the CHP. As such, the primary relationship with the tenants is ceded to the CHP, meaning that Council can no longer interface directly with tenants (i.e., for maintenance or repairs or to conduct surveys). All lines of communication between Council and tenants must be handled via the CHP.
63. There are two broad options for the CHP's legal structure that meet the above requirements:
- a. An **independent charitable trust** that is owned by the community – under this option the Council does not have an ownership stake in the CHP, but nor does any other specific party, because it is community owned. The Council would have a governance stake through the Board of Trustees. The Trust would be governed by a Board appointed in accordance with a Trust Deed, and the CEO would be appointed by the Board. Depending on the terms of the Trust Deed, the Council could appoint a certain number of Trustees, but not a majority of the Trustees. OCHT established by Christchurch City Council is an example of this model.

² Council is capped at 49% where a single controlling shareholder (or multiple shareholders acting together) holds the remaining 51%. If there is more than one other shareholder, the Council's maximum holding will reduce accordingly.

- b. A **limited partnership or company** (assumed to be not-for-profit) – under this option, the partnership or company would be minority owned by Council, with the remaining ownership share held by a partner organisation.³ The governance arrangements would typically consist of a Board proportionally appointed by the shareholders, with a CEO appointed by the Board. Haumarū Housing jointly established by Auckland Council and the Selwyn Foundation is an example of this model.

64. A more detailed table setting out the key differences between each legal structuring option is included in a table in Appendix 4.

Recommended preferred option for consultation

65. Both options presented are feasible and have precedent in Council-related CHPs, and officers recommend both are consulted on as part of the three shortlisted CHP options. On balance, **officers recommend an independent community-owned charitable trust** for the following reasons:
- a. An independent charitable trust provides a simpler and more focused governance structure than a limited partnership or not-for-profit company. The Board of an independent charitable trust is obliged to meet obligations under the Trust Deed and is not required to represent the (potentially conflicting) views of external shareholders. Community ownership also makes it much more difficult for a future, subsequent transfer of ownership interest in the CHP to occur.
 - b. The independent charitable trust model provides opportunities for the involvement of partners (such as other charitable organisations or iwi) at an operational and governance level.
 - c. An independent charitable trust means the CHP can create its own genuine independent identity in the community, while also ensuring that Council can maintain influence through minority (<50%) representation on the Board.
 - d. An independent charitable trust may better facilitate an off-balance sheet financing solution given the greater independence from Council achieved under the model.
 - e. A limited partnership/company requires that a partner organisation(s) is found to hold the majority ownership share. There are likely to be a relatively limited pool of suitable ownership partners and a strong fit with Council would be required.
66. Officers will provide further advice about governance arrangements and partnership opportunities in the next report back to the Committee in May 2022.

Question 2: Should the Council transfer the assets to the CHP?

67. The second decision the Council needs to make is whether to transfer all of some of the housing assets to the CHP. If the Council chooses to transfer assets, it will also need to decide whether the assets are gifted or sold to the CHP, as well as whether they are transferred at the point of establishment or transferred over time.
68. There are two broad options for the Council to consider:
- a. **Council retains ownership of the assets and enters into a lease** arrangement with the CHP. The specific nature of the lease would be determined as part of the next stage of work. A lease arrangement has been adopted for both Haumarū Housing

³ While a for-profit company structure is feasible, this is not considered further in this paper.

and OCHT. In OCHT's case, a small asset transfer also occurred, and this is outlined in more detail in paragraph 103.

- b. **Council transfers some or all the assets** upfront to the CHP. This could be structured as a straight asset transfer or as a purchase by the CHP (at a discounted value that leaves the CHP financially viable).

69. The key factors in considering asset transfer vs. leasehold are set out in the table below.

Table 1: Asset transfer considerations

Consideration	Description
Role of Council in the future of the assets and potential risk of CHP failure	<ul style="list-style-type: none"> The transfer of assets to the CHP would result in Council losing direct control and ownership of the housing assets. For example, Council would not be able to directly determine property and asset management outcomes for the portfolio. However, the Council would retain a limited ability to influence direction through the CHP's governance arrangements. An upfront transfer of the assets would result in a new CHP being responsible for managing a significant asset base. While in the long-term there may be benefits from aligning ownership and management responsibilities in the CHP, a new CHP would not yet be an established organisation. If the Council chose to transfer the assets, the risk of CHP failure would need to be mitigated, for example through encumbrances and offer-back requirements to ensure that the assets were not lost from social housing in the (unlikely) event of failure.
Impact on tenant outcomes	<ul style="list-style-type: none"> Both leasehold and asset transfer options would deliver similar tenancy management and support outcomes to tenants. Existing CHPs provide a range of support services to tenants, regardless of whether the assets are owned or leased.
Implications for Council's balance sheet and borrowing capacity	<ul style="list-style-type: none"> Asset transfer may result in an accounting write-down as the assets would no longer sit at full market value on the Council's balance sheet.⁴ An asset transfer would likely have an impact on the Council's LGFA and rating agencies covenants. This is because, as a result of the transfer, the CHP would likely retain all revenue from the portfolio, reducing the Council's revenue and affecting the Debt/Revenue ratio. Further accounting analysis will be required on the potential impacts if transfer is preferred.
Implications for CHP borrowing for capital programme and delivery of new supply	<ul style="list-style-type: none"> Freehold security is helpful for lenders, and a requirement for certain types of more traditional lenders (e.g., banks). The transfer of assets would therefore provide the CHP with a significant capital base which it could leverage for new supply. However, the protections set out above (such as encumbrances and offer-back requirements) may dilute the value of this security in the eyes of lenders. In addition, lenders may be cautious lending significant amounts directly to a newly established entity during its initial establishment phase.
Timing of a decision to transfer (i.e., when this decision needs to be made)	<ul style="list-style-type: none"> The CHP does not require upfront asset ownership to be established and registered. Given that, the decision to transfer assets could be considered at a future date once the CHP is operational and more mature. It would be harder however to reverse any upfront asset transfer decision. If the decision to transfer was preferred, then additional due diligence work would be needed (e.g., Public Works Act and offer-back

⁴ The accounting impact of an asset transfer is subject to further analysis. The outcome is a function of a number of factors, including the transfer price (if any), current carrying value of the assets and whether the new owning entity (CHP) would be consolidated into WCC's group accounts.

implications, consents, insurance, tax and accounting etc).

Recommended preferred option for consultation

70. Both options are feasible, and officers recommend both would be consulted on as part of the three shortlisted CHP options. On balance **officers recommend Council retains ownership and enters into a leasehold arrangement** with the CHP. Any decision on asset transfer could be taken later, should the Council wish to do that.
71. A leasehold option is the most straightforward to deliver in the short-term, would reduce the negative balance sheet impact of a transfer, and provide Council with greater control and flexibility during the initial phase of CHP operations. Instead of an asset transfer, an upfront capital/cash contribution by Council would provide 'unencumbered' assets which the CHP could leverage to deliver new supply.
72. While there may be merit in aligning ownership and control of the assets with the CHP in the long-term, this could be reconsidered in the future once the CHP is well established and performing against its Trust Deed.

Question 3: Should the Council provide the CHP with an upfront capital injection?

73. If the Council chooses not to transfer the assets to the CHP, it will need to determine how much upfront capital to provide to ensure the CHP is set up for success.
74. Having a level of 'unencumbered' cash or assets provides the CHP with balance sheet strength to advance the upgrade programme and undertake new supply projects. The Council's Deed commitment to provide \$180m for the HUP2 upgrade programme is also relevant to consider when determining the level of upfront capitalisation (although upfront capitalisation is just one way, albeit an important one, for the Council to meet this cost commitment).
75. Officers have considered three options for the upfront capitalisation of the CHP:
 - a. **Minimal capitalisation** where the CHP is funded for any necessary establishment costs only (\$5-10m)
 - b. **Medium capitalisation** where the CHP is provided some unencumbered assets (for example, \$20m - \$50m) to provide it with some balance sheet strength to begin upgrades and new supply projects, without the need to borrow the full costs
 - c. **Major capitalisation/transfer** where the existing housing assets are transferred to the CHP (i.e., Question 2 above).
76. A significant challenge for many existing CHPs is a lack of balance sheet depth that enables them to undertake new supply projects. Many CHPs do not own their housing assets, or these are already fully leveraged (i.e., to pay an upfront purchase price for the assets). The development of new supply and/or significant upgrades requires upfront capital expenditure that must be met by cash or lending.
77. Previous local council-established CHPs have been given limited upfront capital, and this has negatively impacted their ability to deliver new supply more quickly. A medium level of capitalisation would help the CHP better achieve new supply objectives. This is supported by feedback from OCHT who noted that \$25m would have unlocked the Trust's ability to deliver new supply quickly (while also noting that the greater the level of capitalisation, the greater the number of housing units that can be built).

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78. The level of capitalisation may also help the CHP to attract further Crown subsidies for development. In certain circumstances CHPs are eligible for Crown subsidies to deliver new housing supply. Current policy settings tend to favour CHPs that are using these subsidies to develop properties that they will retain ownership of, rather than properties developed and then leased to the CHP from third parties.
79. Both cash and/or unencumbered land assets would be suitable as a form of capitalisation. Land is a viable option because it would not impact on the Council's borrowing ratios and would allow the CHP to raise finance against this land, to either fund HUP2 and/or develop new supply.

Recommended preferred option for consultation

80. All three options are feasible, and officers recommend all would be consulted on as part of the three shortlisted CHP options. **Officers recommend a medium capitalisation**, of between \$20-50m, to setup the CHP for success to deliver new supply.
81. Further work is required on the amount and form of this capitalisation, including how it could be considered as part of a CHP transition support package, and the timing and conditions on which it is provided. Further advice on this will be reported back to the Committee in May 2022.

Question 4: What services should the CHP provide?

82. The fourth decision the Council needs to make is to determine what services the CHP provides, and which services are retained by the Council – at a minimum the CHP would need to have the responsibility for day-to-day tenancy management and minor/reactive maintenance (a “limited” service offering). The CHP could also be given responsibility for managing major maintenance and upgrades, which would include HUP2 works (a “full” service offering).
83. Both a “limited” service offering and a “full” service offering are feasible, but officers recommend a “full” service offering on the basis that a split between minor/reactive maintenance being managed by the CHP and major maintenance by the Council has potential for complexities and frustrations for tenants and inefficiencies in planning and management of the work – lessons from the Christchurch OCHT experience, which did initially separate these responsibilities but have since transferred major maintenance to the CHP, have informed this recommendation. A transition to a “full” service model over time could assist the CHP get established in the early stages.
84. Within the decision to have the CHP involved in “full” service provision, officers recommend that the Council retains some role in major works through a new ring-fenced major maintenance fund that is managed jointly by the CHP and Council (discussed under paragraph 85b below). Under this arrangement, the CHP would be responsible for delivering major maintenance work and the Council would retain the ability to have input into major asset management decisions, which is appropriate where the Council retains ownership of the assets. In addition to the benefits identified above, a shared arrangement with a ring-fenced fund would have a financial benefit for Council in that the rental payments that would flow into the fund for major works could count as Council revenue for the purposes of determining debt/revenue ratios and borrowing limits.
85. On the question of major maintenance responsibility, there are three options for the Council to consider on this question:
- a. **Major maintenance responsibility held by the CHP (with no Council control)** – this is a “full” service model, with the CHP as the sole owner of the responsibility for

major maintenance. Under this option the CHP would have responsibility for all major maintenance and upgrade work, which would include the HUP2 programme. This would be the default option for any properties that the Council chose to transfer to the CHP.

- b. **Major maintenance responsibility held by the CHP (with some Council control via a ring-fenced fund)** – this is also a “full” service model, however the Council would retain a level of influence and control through both a ring-fenced fund and an agreed framework with the CHP for undertaking major maintenance and upgrades (including the HUP2 programme). In order to give effect to this approach, it is likely the Council would establish a separate ring-fenced maintenance fund, which would sit with the Council and be accessed in accordance with the agreed protocols. The fund would be built up over time by a pre-agreed portion of the CHP’s rental income and any capital injections from Council.
- c. **Major maintenance responsibility held by Council** – under this option, the Council retains responsibility as the asset owner for all major maintenance and upgrades (including HUP2) with only minimal involvement by the CHP. This is a “limited” service model for the CHP, where the CHP only manages tenancies and minor repairs, and the Council retains sole responsibility for major maintenance.

86. As well as the decision about core roles and responsibilities, it is worth noting that a core benefit of a CHP model is that the CHP can deliver a whole range of additional wraparound support services to the community by tendering for government social service contracts. This enables the CHP to adapt its services over time to meet the needs of its tenant and community.

87. The following table provides a summary of the pros and cons of each option for major maintenance.

Table 2: Major maintenance options

Option	Pros	Cons
Major maintenance managed by CHP (with no Council control)	<ul style="list-style-type: none"> From a tenant perspective, all maintenance and repairs are managed by a single point of contact Single entity able to make all property decisions – simpler and more efficient The split between routine and major maintenance is difficult to define and is not needed under this option CHP can run a competitive procurement process to subcontract major works 	<ul style="list-style-type: none"> Lower scope for Council to influence major maintenance decisions and planning The CHP would likely require access to all rent from the properties
Major maintenance managed by CHP (with some Council control via ring-fenced fund)	<ul style="list-style-type: none"> There are precedents for major maintenance funds in the CHP sector and existing models the Council could draw from Greater transparency and confidence for Council that major maintenance is being appropriately funded and for Council to determine policies 	<ul style="list-style-type: none"> Requires clear definitions of what maintenance works are within scope of the fund and what will be carried as minor works by the CHP

	<ul style="list-style-type: none"> on drawdowns from the fund. • Portion of rent flows into Council-held fund and therefore counts as income for the purpose of the Council's borrowing covenants 	
Major maintenance retained by Council	<ul style="list-style-type: none"> • Greater control by Council on major maintenance decisions • As the Council remains the property owner, ensures alignment of major asset management decisions with ownership 	<ul style="list-style-type: none"> • Greater risk of misalignment of priorities between the CHP and Council – inefficiency created in planning and carrying out works • Confusion from a tenant point of view about who is responsible for various types of work • Requires greater internal resourcing by Council to manage major maintenance projects

Recommended preferred option for consultation

88. All options are feasible, and officers recommend all would be consulted on as part of the three shortlisted CHP options. On balance, **officers recommend a “full” service offering for the CHP with shared responsibility for major maintenance managed via a ring-fenced fund.** This option has several precedents and gives the CHP a significant role in major maintenance decisions, while also ensuring the Council retains the ability to influence outcomes, assuming the Council remains the asset owner. It is beneficial from a financial perspective for the Council and is simple and efficient for tenants.
89. Further detail on the design of the fund is required and will be provided to the Committee at the next report back in May 2022.

Question 5: How will the CHP finance the upgrade programme?

90. The final decision the Council needs to make is how the CHP will finance the HUP2 upgrade programme. Work is underway with the Crown to review the costs and timing of this programme via negotiation on the Deed of Grant, but the financing need will still be significant and cashflows from rental revenue (and IRRS as it is phased in) will not be sufficient to meet the upgrade costs without borrowing.
91. This is not a decision the Council needs to make at this point – further advice will be provided to the Committee at the next report back in May 2022.
92. There are three broad options for how the capital programme can be financed:
- Council borrows directly** with the debt to be directly raised by Council
 - CHP borrows directly** utilising any free-cash flow from operating the portfolio and any assets on its balance sheet that have been transferred by Council
 - Borrowing via an intermediary (such as a CCO or SPV)** where the debt is structured to sit outside of Council's borrowing constraints.

Recommended preferred option for consultation

93. While further work and advice is needed on this issue, officers' default position is that the Council will borrow directly for the upgrade programme. But it is possible that a

solution whereby the CHP or intermediary finances HUP2 outside of Council's borrowing constraints can be developed, and this would be preferred if it can be made to work.

94. It is likely the Council would need additional support from Crown to achieve this off-balance sheet solution by enabling the CHP to borrow outside of the Council's borrowing constraints and credit rating considerations.

Lessons from existing Council-related CHPs

95. Several local councils have transferred the management of their council housing portfolios to a CHP to improve outcomes for tenants and resolve financial sustainability challenges.
96. Two primary examples are Haumarū Housing in Auckland and OCHT in Christchurch. Both are useful comparators as they had similar sized portfolios and property conditions at the time of transfer to CHP management.

Haumarū Housing

97. Haumarū Housing Limited Partnership is a limited partnership between Auckland Council (limited partner) and the Selwyn Foundation (general partner) established to manage Auckland Council's pensioner housing portfolio of 1412 units.
98. Haumarū leases Auckland Council's pensioner housing portfolio for a peppercorn rent with a right of renewal for up to 100 years. The lease is structured for simplicity, transferring all rights and responsibility for reactive, routine and major maintenance to Haumarū, supported by Panuku (an Auckland Council CCO) as a key development partner.
99. A benefit of Haumarū's structure is that it manages both tenancy and property services so has all the levers to positively influence community and housing outcomes. Haumarū has all asset responsibilities which are devolved to a full-service contractor. Haumarū noted that this arrangement supported the organisation to make major cost savings by being able to choose and change its provider as required.
100. Haumarū has had access to an annual tranche payment from Council, which has enabled a programme of long-term maintenance and property upgrades.
101. Haumarū has also been able to grow its supply of housing by leveraging surplus cashflows and by making land available to Kāinga Ora for development (under this arrangement Kāinga Ora owns the improvements on the land, which Haumarū will buy back over time). However, this is not a quick way to build capital, and Haumarū noted that access to either capital or unencumbered assets to use as security would have enabled them to deliver new supply faster.

Ōtautahi Community Housing Trust

102. OCHT was formed in 2016 after extensive work by the Christchurch City Council (CCC) looking for a financially sustainable solution for its housing portfolio. OCHT was established as an independent charitable trust, governed by a composite of independent trustees, and a minority of trustees appointed by CCC.
103. On establishment, OCHT was transferred the management of 2,300 community housing units via a lease arrangement. In 2021 OCHT further owns 533 housing units, of which 424 were transferred as part of a \$45m loan from CCC. The structure of this loan means that OCHT does not have significant borrowing headroom to undertake substantial development of new supply.

104. A ring-fenced maintenance fund has supported OCHT to undertake a programme of asset upgrades. Through the lease agreement, budgets for maintenance are agreed out of the ring-fenced rent revenue, allowing OCHT to undertake a programme of asset upgrades and reactive maintenance
105. OCHT’s feedback has been that a modest level of capital (i.e., \$25m) of un-encumbered cash or assets would have made a real difference to its ability to deliver new supply quickly. While OCHT does own ~500 properties, these are secured by the Council and therefore cannot be further leveraged without changes to these arrangements.

Three shortlisted CHP designs

106. Officers have shortlisted three CHP designs based on combinations of answers to the questions above. All three CHP design options are feasible and, on this basis, should be included for public consultation.
107. Officers’ preferred option is Option 2: “Intermediate” CHP set up as an independent community trust (Option 2 – ICT) which combines the preferred choices under each of the design questions discussed above.
108. The key features of the options are discussed below (with a summary in Table 3), and then Table 4 assesses the three CHP options, as well as the rates/debt and divestment options, against the objectives in paragraphs 56 to 58 above.

Table 3: Summary of options

Key question	Option 1: “Maximum” scope” CHP	Option 2: “Intermediate” CHP	Option 3: “Minimum” scope CHP
What kind of legal entity should the CHP be?	Any option could be an Independent Community Trust or a Limited Partnership/Company. Officers recommend a Trust.		
Should the Council transfer assets to the CHP?	Yes	No (leasehold)	No (leasehold)
Should the Council provide an upfront capital injection?	No	Yes (medium capital injection)	Yes (low capital injection)
What services should the CHP provide?	Full services	Full services (phased in), with ring-fenced major maintenance fund	Limited services

Option 1: “Maximum” scope CHP (not officer preferred)

109. This option represents the biggest change from the status quo but would set up the most independent, focused, and flexible CHP that would have the greatest mandate to pursue new supply. Because it represents the greatest change, it also comes with the greatest risk to successful transition and most material financial impact to Council.
110. Under this option, the Council would establish an independent community-owned trust (or a limited partnership or company), the housing assets would be transferred to the CHP, and the CHP would have full responsibility for all tenancy and property management. The CHP would leverage this asset base to undertake the HUP2 upgrades and deliver new supply projects (to extent it can following any purchase price paid to Council).
111. While a more focused and independent CHP may be desirable in the medium to long term, an upfront transfer of assets is not required to establish the CHP and a

move towards this model could be considered again in the future. It would not, however, be possible to reverse a transfer of assets once it has occurred.

112. This option is not preferred by officers as it would have the most material upfront financial impact for the Council. While it is strongest from a new supply perspective, it is a significant change that would not be as easy as Option 2 to deliver in the short term and does not maintain future flexibility in design or allow the Council to make changes over time based on CHP performance.

Option 2: “Intermediate” CHP set up as a community-owned trust (officer preferred)

113. This option would establish an independent community-owned trust as the legal entity. It differs from Option 1 in that the assets would be leased to the CHP and not sold or transferred. Given the leasehold model, the CHP would be capitalised with a medium level of up-front capital (\$20-50m) to enable it to quickly get underway with HUP2 work and invest in new supply. The exact form and timing of this capital payment can be determined later. This option could also be set up as a limited partnership or company, but this is not preferred by officers.
114. There are advantages in the CHP being responsible for the full set of tenancy and property management services – so under this model the CHP would be responsible for tenancy management and minor/reactive and major maintenance (with the Council retaining some control via a ring-fenced maintenance fund).
115. This option combines each of the preferred design choices set out in earlier sections, with the rationale for each set out above. Overall, this option is considered to best meet the objectives in paragraphs 56 to 58, particularly the objectives about tenant wellbeing, Council financial impact, and new supply. It is also a feasible option to deliver within the necessary timeframes and retains future flexibility for the Council to adapt the design over time, as the CHP matures or to take advantage of future opportunities.

Option 3: “Minimum” scope CHP (not officer preferred)

116. Under this option, the entity would be an independent community-owned trust (or a limited partnership or company) and the assets would be leased to the CHP via a leasehold agreement. The CHP would deliver a “limited” service offering and would only be responsible for tenancy management and reactive and routine maintenance. Major maintenance would be managed by Council. The Council would provide “minimal” upfront capital (\$5-10m) to meet the costs of establishment only.
117. This option is the minimum viable option that would enable the CHP to operate and represents the least change from the status quo. However, it performs least well against the three priority objectives – particularly the ability to add to supply.
118. There is also risk that the CHP’s effectiveness and reputation as a provider may be negatively impacted by its lack of capital and its inability to pursue new supply quickly and by the complexities that would be introduced by having separated responsibilities between Council and the CHP for minor and major maintenance. The lessons from OCHT highlight the limitations of this option.

Table 4: Assessment of options against objectives

Objective	CHP option 1 “Max.”	CHP option 2 “Int.”	CHP option 3 “Min.”	Rates & debt	Divest

	CHP	CHP	CHP		
Tenant wellbeing: Improve rental affordability and social outcomes for tenants	✓	✓	✓	✗	✗
Financial sustainability: Return the service and portfolio to a stable, long-term footing, while minimising the impact on Council's financial position and/or borrowing capacity	✓	✓	✓	✗	✗
Increase supply: Increase supply of social housing in Wellington	✓	✓	✗	✗	✗
Housing upgrades: Meet the Council's commitment under the Deed of Grant to deliver the second half of the upgrade programme and meet its \$180m share of the cost	✓	✓	✓	✓	✗
Partnerships: Create opportunities for community partnership in delivery and development	✓	✓	✓	✓	✗
Feasibility: Solution is feasible to deliver and get up and running in the short-term	✓	✓	✓	✓	✗
Flexibility: Solution provides future flexibility to adjust the design of the CHP, subject to CHP's performance or to take advantage of future opportunities	✗	✓	✓		
Recommended option	✗	✓	✗	✗	✗

✗	option doesn't achieve this objective (e.g., because it doesn't improve on the status quo)
✓	option partially achieves this objective (or progressively achieves this objective over time)
✓	option achieves this objective well

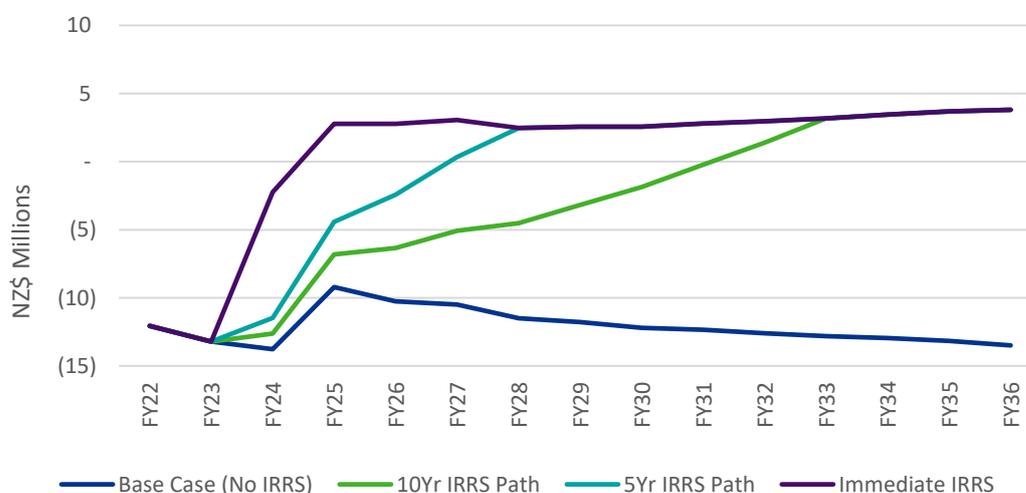
Financial analysis and implications for Council balance sheet

119. As the Council knows, a key advantage of any CHP is that it would enable new, eligible tenants to pay an income-related rent (IRR), improving wellbeing through more affordable rent, and the CHP would also be able to access the IRRS. From a financial sustainability perspective, the impact of this is that, over time, the CHP would receive full market rent for eligible tenants (composed of the IRR from tenants plus the IRRS), rather than the 70% of market rent that City Housing currently receives. This then allows the CHP to reinvest any operating surplus generated by

the receipt of IRRS through time into achieving housing outcomes through tenant support services, property upgrades and increasing new supply.

120. The following graph provides an estimate of the impact of receiving IRRS on the operating deficit/surplus for different transition paths.⁵ The full impact of IRRS will take some time to phase in (unless accelerated access could be negotiated with the Crown e.g., based on delivery of new supply) and therefore financing solutions will still be required.
121. The CHP would operationally break-even prior to having all tenants receiving IRRS (i.e., prior to receiving market-level rent for all tenants – made up of IRR and IRRS). Based on current high-level modelling, this break-even point is approximately 80% of tenants being eligible for IRRS, with the remaining 20% tenants paying the current 70% of market rent rate. Any operational surplus achieved beyond this point could be used to service financing associated with HUP2 (discussed further below) and/or to support the delivery of new supply.
122. It is worth noting that the figure below includes the full costs of depreciation as a proxy for capital expenditure, renewals and further upgrades (including seismic work). However, it is possible that the CHP may not fully account for depreciation as the Council does, which could reduce the expected break-even point to approximately 40-50% of tenants accessing IRRS. This will have a positive impact on the point at which the CHP can begin to deliver new supply and service HUP2 financing costs.

Figure 2: Impact of IRRS on operating cashflow



⁵ The operating deficit chart assumes that the cost base of the CHP would be consistent with that of City Housing. It includes depreciation as a proxy for capital expenditure and renewals and excludes HUP2.

Council support for CHP transition and meeting Deed of Grant commitment

123. Under the current Deed of Grant, Council is committed to contributing \$180m towards the completion of HUP2. However, as discussed earlier in this paper, the actual cost of HUP2 is now expected to be \$286m (or higher), significantly greater than the original \$180m cost estimate.
124. As shown in Figure 2, City Housing under current arrangements does not generate cashflow to fund the Council's \$180m commitment and, therefore, the Council will need to meet its commitment through other funding sources. The remaining costs for HUP2 would need to be financed by the CHP, potentially with the support of the Crown to access finance.
125. The Council has already contributed costs towards the programme through funding the cost overrun of HUP1 (\$13.5m) and committed to funding three-years of operations through City Housing cash reserves and debt (\$42.8m capital funding and \$29.5m funding for operating shortfall).
126. Officers recommend that, in addition to that, the Council considers a CHP transition support package to meet the Deed commitment and ensure the CHP is set up for sustainable, long-term success. This sort of support is also consistent with lessons learned from OCHT and Haumarū. Officers will provide further advice about transitional support and the approach to meeting its HUP2 commitment by May 2022, but support could include:
- a. Capital support through the provision of unencumbered assets at point of establishment or phased over a transition period (e.g., upfront capital injection)
 - b. Time-limited operating support to reduce operating costs in the transition period.

Financing the HUP2 programme

127. The scale of the HUP2 programme and the lumpy nature of property upgrade costs mean that the CHP will not be able to rely on drip-fed rental cashflows to meet the costs of the programme as they are incurred. Therefore, even with the above funding support, the CHP will still require access to financing to meet this timing mismatch. Financing provides a mechanism to smooth the cash requirement of the CHP over time (with costs being met by financing in the interim and eventually paid back by the CHP through surplus cash flows).
128. In developing the financing solution, officers are considering:
- a. *Options to smooth the financing requirement over time* – one important option officers are considering with HUD is extending the timeframes for HUP2 completion to allow the costs to be spread over a longer period. This would not ultimately reduce the level of funding required but would assist the CHP or a Special Purpose Vehicle (SPV) (see below) to raise the finance when it needs it. Other options that could help would be Crown support to enable the CHP or SPV or borrow more efficiently than it would otherwise (e.g., through underwrite support or a concessionary loan).
 - b. *Which entity is best able to raise the finance* – as discussed above, there are three key entities that could raise the finance, although all require access to IRRS (achieved through CHP establishment) over time to enable debt servicing. Each

option has different potential impacts on the Council's balance sheet and future borrowing capacity (as measured through rating agency and LGFA covenants):

- i. *WCC borrows* – this is the most deliverable option, however, the debt raised would impact WCC's borrowing covenants and Council's other funding priorities
 - ii. *CHP borrows* – the ability to pursue this option would depend on the level of support from Crown/Council and the strength of the CHP's balance sheet. A benefit of this option is that the borrowing falls outside the Council's borrowing covenants so would not limit its overall debt capacity.
 - iii. *SPV/CCO borrows* – the Council could establish an intermediary to raise the debt, with the terms depending on the level of support from Crown or Council. As with option ii, the benefit of this option is that the borrowing would fall outside the Council's borrowing constraints and covenants.
129. In any option above, financing could be provided from a range of sources, including the financing markets, a third-party (such as ACC or Crown Infrastructure Partners) or the Crown on concessionary terms.
130. Officers will provide further advice on financing to the Committee in the next report back in May 2022.

Ngā mahinga e whai ake nei

Next steps and further work programme

Immediate next steps

131. Following agreement to the recommended way forward, officers will:
- a. Prepare relevant consultation material (consultation document and a Statement of Proposal) and a consultation and engagement plan
 - b. Prepare necessary analysis of reasonably practicable options for inclusion in the consultation document
 - c. Prepare proposed LTP amendment (based on the Statement of Proposal)
 - d. Prepare a paper for the AP/LTP Committee by 7 March 2022 to review the consultation document, Statement of Proposal and consultation programme prior to audit
 - e. Following audit, prepare a paper for the AP/LTP Committee by 28 March to formally adopt the consultation document, along with the accompanying LTP amendment and the Annual Plan proposals.
132. Alongside this, officers will continue to work closely with central government on options for potential Crown financial support to resolve City Housing's financial sustainability challenges and to identify whether there are opportunities to partner to redevelop and increase social and affordable housing supply.
133. Any of the options discussed in this paper, including options being discussed with the Crown, will likely require changes to the Deed of Grant or approval by the

government under the Deed of Grant. Officers are working with HUD on this as part of the work discussed above.

Further workstreams for CHP establishment

134. If a CHP is decided as the preferred option following consultation (in the absence of sufficient Crown financial support), there are a number of key workstreams that would need to be progressed. These include:

- a. CHP operating model design and registration – including detailed design work, preparation and application for CHP registration, and resolution of Deed of Grant issues to prepare for registration application. Registration is expected to take 12 months
- b. Development of necessary operational transition and implementation plans, policies and systems – including considerations of staffing transitions, tenant transitions and communications
- c. Preparation of necessary asset condition reporting and asset management and upgrade planning
- d. Supporting detailed work on financing, accounting, capitalisation, tax and legal arrangements.

Whai whakaaro ki ngā whakataunga

Considerations for decision-making

Alignment with Council's strategies and policies

135. The recommendations in this paper are consistent with the priorities in the LTP – particularly the 'affordable, resilient, and safe place to live' and 'fit-for-purpose community spaces'. The proposals are also consistent with the Council's 'people friendly, compact, safe and accessible capital city' strategic priority.

136. Through the LTP process, the Council signalled City Housing's financial challenges and noted that the Council would consult the public on options to address these issues. The LTP also indicated the Council's intention to find an alternative operating model for City Housing within three years, enabling costs from year four to be met under a new funding arrangement.

Engagement and Consultation

137. The proposal is **rated high significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy. The proposal meets the following criteria: Importance to Wellington City, Community Interest, and Impact on Council's Capacity and Capability.

138. In the LTP consultation, City Housing sustainability was identified as an upcoming issue that needed to be resolved, and the Council indicated that the public would have an opportunity to provide feedback through an upcoming process. The LTP did provide an overview of the financial issues and the broad options available to the Council to address the issues (e.g., seeking direct access to IRRS, rates and debt funding, divestment, setting up a CHP).

139. To make a decision, under the Local Government Act, the Council will need to consult with the public under a Special Consultative Procedure (SCP) on reasonably

practicable options to address the identified issue, and ensure that the LTP is amended so that the decision is explicitly provided for in the LTP. This requires a corresponding LTP amendment to be completed and included in the consultation process.

140. Given the discussions with the Crown for direct financial support are progressing in parallel, the consultation process will note that public feedback is being sought on a preferred option, in the situation where the Crown does not provide financial support, or the Crown Support Option does not return the portfolio to a long-term sustainable footing or otherwise meet the objectives referred to in paragraphs 56 to 58 without the need for a new CHP or other structural options.
141. Following legal advice and based on an analysis against the objectives set out in paragraphs 56 to 58, officers advise that the following are the reasonably practicable options that should be included in the SCP:
- a. Fully funding the operating deficit through rates and debt funding the capital programme (identified as not Council preferred)
 - b. Establishing a CHP (being either an independent community-owned trust or a limited partnership or company) with the following sub-options identified:
 - i. “Maximum scope” CHP (identified as not Council preferred)
 - ii. “Intermediate” CHP (with an “Intermediate – ICT” CHP identified as Council preferred)
 - iii. “Minimum” CHP (identified as not Council preferred)
142. As part of the Council’s preferred option of an “Intermediate – ICT CHP” in the situation noted in paragraph 140 above, an LTP amendment is required, to demonstrate the impact of the preferred option on the Council’s financial position, intended levels of service and transferring control of a strategic asset from Council to the CHP. This LTP amendment will need to be audited prior to being released for public consultation.
143. The Council will be consulting on its Annual Plan in April next year. This SCP (with accompanying LTP amendment) will be included as part of the Annual Plan consultation process in order to ensure that there is sufficient time following consultation to implement the preferred option (if decided by Council) within the three-year period the Council has given itself to resolve City Housing’s sustainability. If a CHP was decided as the preferred option following consultation, it would take an estimated further 18 months to complete detailed design and manage the transition and implementation to a new entity.
144. The dates for the Annual Plan process are:
- a. AP/LTP Committee reviews the consultation document, Statement of Proposal and consultation programme (prior to audit) by 7 March 2022
 - b. Following audit, AP/LTP Committee formally adopts the consultation document, along with the accompanying LTP amendment and the Annual Plan proposals by 28 March 2022
 - c. Consultation and hearings run from April to mid-May 2022
 - d. AP/LTP Committee deliberations and decisions by end of May 2022
 - e. Council adopts Annual Plan and LTP amendment in June 2022.

-
145. A full engagement plan will be completed for the process and will be included with the consultation document in the report to the AP/LTP Committee in March next year.
146. Officers have been communicating regularly with City Housing tenants about the work underway on financial sustainability. As part of preparing consultation material, a communications plan will be developed to focus on tenants and ensuring they are supported through the consultation process.

Implications for Māori

147. A key objective guiding the development and choice of options for City Housing is that to create opportunities for partnerships in the delivery of housing services and in housing development. In particular, the CHP options discussed in the paper have been designed to facilitate the opportunity for partnership with iwi in improving housing outcomes in Wellington.
148. These opportunities can include shared governance, partnering in service delivery for tenancy and housing support services, and/or partnering in the redevelopment housing stock. Some existing City Housing properties are built on iwi-owned land and existing partnerships are in place that could be built on e.g., Granville flats are located on land leased from the Tenths Trust.

Financial implications

149. This paper discusses five options to address City Housing financial sustainability in the absence of Crown financial support to resolve City Housing's financial sustainability challenges – rates and debt funding, divestment, and three CHP options. The financial impact of the options is discussed in the body of the paper.

Legal considerations

150. The Local Government Act sets out the requirements for public consultation on proposals of significance for Council. The requirements are discussed in the Consultation and Engagement section above.
151. Officers have received legal advice on the consultation approach and have worked alongside external legal advisors in the development of options presented in this paper.

Risks and mitigations

152. The key risk to the achievement of the proposals in this paper are the timeframes for resolving City Housing's financial challenges. City Housing will run down its cash reserves by 2022/23 – some alternative operating models take time to implement and proceeding according to the timeframes in this paper is important to allow sufficient time for implementation and transition.
153. Officers are pursuing two parallel tracks of work to resolve sustainability. While they need to continue in parallel for timing reasons, close management and alignment of workstreams is needed to support Ministers and Council to make decisions.

Disability and accessibility impact

154. The consultation plan developed will ensure that those with disabilities or accessibility needs can participate in the consultation process.

Climate Change impact and considerations

155. Not applicable.

Communications Plan

156. Refer Engagement and Consultation section above.

Health and Safety Impact considered

157. Not applicable.

Attachments

Attachment 1.	Appendix 1: Letter to Minister of Housing ↓ 	Page 52
Attachment 2.	Appendix 2: Letter from Minister of Housing to Mayor Foster ↓	Page 54
Attachment 3.	Appendix 3: Examples of CHP structures ↓ 	Page 56
Attachment 4.	Appendix 4: CHP legal structures options summary ↓ 	Page 56

24 June 2021

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Hon Megan Woods
Minister of Housing
Megan.Woods@parliament.govt.nz

Kia ora Minister

At a recent meeting of Wellington City Council's (WCC) Pūroro Rangaranga - Social, Cultural and Economic Committee, the Council discussed its Housing Action Plan priorities, which include growing affordable and social housing supply across the Wellington region, as well as resolving the long-term sustainability for City Housing.

Through the discussion, the Council confirmed its commitment to social housing provision and a desire to continue to partner with the Crown and regional partners in the pursuit of shared objectives to increase housing supply in Wellington.

However, City Housing is currently financially unsustainable and, in order to continue as a long-term social housing provider, the Council needs to resolve City Housing's financial challenges as a matter of urgency. The Council is seeking to work directly with government to this end. We continue to seek direct access to the IRRS which would have a significant impact on our tenants' wellbeing and City Housing's sustainability. This has been an important priority for the local government sector for several years and I am seeking to work directly with you to enable the Council to have access to this subsidy for our tenants.

Alongside this, the Council has also agreed to begin the process to establish a Community Housing Provider (CHP) entity and a special purpose vehicle to fund City Housing's large capital upgrade programme. A CHP would enable the Council to address the current rental inequity between City Housing tenants and tenants of Kainga Ora and other social housing providers, improve tenants' wellbeing through reduced rents, and enable the Council to adequately fund the capital programme. Under current IRRS eligibility rules, it will take some time to establish the CHP on a sustainable footing, so the Council is seeking to discuss with the Crown immediate access to the IRRS for all eligible tenants at point of establishment (rather than phased access based on tenant turnover). The Council will take decisions on the next steps for CHP establishment in September 2021.

Background and current financial position

Since the 1950s, WCC has provided safe, secure and affordable social housing in Wellington. WCC is the largest council social housing provider in New Zealand and the largest provider in Wellington with 3,200 tenants and 1,927 units. Many of our tenants are Wellington's most vulnerable people.

In 2007, Council signed a Deed of Grant with the Crown to support the sustainability of the City Housing service. The Deed requires the Council to remain as a social housing provider until at least 2037 and details a \$400m upgrade of the City Housing portfolio.

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The Crown committed \$220m to upgrade the first half of the portfolio (HUP1) and the Council agreed to fund \$180m to complete the second half of the upgrade programme (HUP2). HUP1 upgraded 900 homes between 2010 and 2018 at a total cost of \$233.5m (with the additional \$13.5m met by WCC). The Council has also carried the cost of an operating deficit since 2011/12. HUP2 is due to start in 2022. Planning is underway, although the substantive work cannot begin until funding is secured.

Social housing has changed significantly since the Deed was signed – significant government policy and legislative changes have increased City Housing costs, social housing demand continues to increase, and non-Council housing providers have received operating subsidies and financial support for their tenants via the IRRS. Rents have also become increasingly unaffordable for tenants, with 75% of City Housing tenants currently paying more than 35% of their income in rent and 92% paying 25% or more.

As a result of these and other insurance and construction market changes, the estimated costs of HUP2 have risen considerably. A QS assessment completed in 2020 as part of HUP2 planning has increased the cost to \$286m (60% higher than the \$180m estimated when the Deed was agreed).

Overall, City Housing now runs an annual operating deficit of \$7m per year (forecast to grow to \$49m within ten years) and has a capital programme (including HUP2, Healthy Homes requirements, and regular asset renewals) of \$446m over the next ten years. City Housing has current cash reserves of \$50.6m, but without other sources of income, City Housing will be technically insolvent and unable to meet the requirements of the Deed beyond 2022/23.

A way forward

As an organisation, the Council continues to value the working relationship that we have with central government. We have established relationships and have worked collaboratively across the Ministry of Housing and Urban Development, Kāinga Ora, the Ministry of Social Development and Crown Infrastructure Partners.

We are committed to continuing to work in partnership with the Crown to address critical housing supply issues at a regional level and to bringing options to the table that the Council can contribute to this objective. As part of this work, we would like to negotiate changes to the Deed of Grant, to update its terms and ensure it supports City Housing sustainability.

We believe that we are now at a key juncture and want to work with you to find solutions for these complex issues. I would appreciate the opportunity to meet with you directly to discuss the points raised in this letter.

Yours sincerely



Andy Foster
Mayor of Wellington

Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister of Energy and Resources

Minister of Research, Science and Innovation

Associate Minister of Finance



Mayor Andy Foster
Wellington City Council
PO Box 2199
Wellington 6140
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Dear Mayor Foster

Thank you for your letter dated 24 June 2021 about availability of the Income-Related Rent Subsidy (IRRS) for Wellington City Council's (WCC's) social housing portfolio.

WCC plays an important role as the largest council housing provider in the country, catering to many of Wellington's most vulnerable people. WCC and the Government have shared interests in ensuring the sustainability of WCC's social housing services. This is reflected through the \$220m Crown grant supporting WCC to upgrade the housing stock and continue providing social housing.

Under the 2008 Deed of Grant, WCC committed to continue as a provider of social housing until at least 2037. I am therefore concerned that WCC is now identifying financial sustainability issues for its social housing portfolio and seeking to negotiate changes to the Deed of Grant.

You have stated that WCC continues to seek direct access to IRRS to help address WCC's financial challenges.

I have directed my officials at Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) to undertake analysis of potential options to support councils that face financial challenges in continuing to provide council housing.

The Government is focused on using IRRS funding to increase new build public housing and provide much needed homes for vulnerable New Zealanders. Under the Public Housing Plan 2021-2024, the Government is working to deliver 470-690 public housing places and 160-170 transitional housing places in the Wellington Region. This supply will target Wellington City where there is high housing deprivation. New public housing will be prioritised for people assessed by the Ministry of Social Development as having the highest need for housing support.

Any change to this policy on eligibility for the IRRS would require a review of the Government's legal authority to provide IRRS to an entity other than Kāinga Ora – Homes and Communities or a registered Community Housing Provider. This is because the IRRS is a funding mechanism legislated under the Public and Community Housing Management Act 1992, which sets boundaries on the use of the IRRS. If a change to legislation is required, this process would require at least 12 to 18 months.

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Given the risks for council tenants and implications for Wellingtonians that need housing support, the Government is committed to working with WCC to find ways to ensure this housing is retained as affordable rental housing.

I have requested advice from HUD officials on the way forward for WCC's social housing. This will include understanding the drivers behind WCC's financial challenges and options to secure long-term financial sustainability for WCC's social housing.

You have requested a meeting to discuss the matters in your letter. As part of a meeting, I am also interested in exploring opportunities to increase the overall supply of housing in Wellington, as well as timeframes to confirm the Government's response to WCC's request to negotiate changes to the Deed of Grant. My office will be in contact with WCC regarding the timing of a meeting.

Thank you for taking the time to write to me.

Yours sincerely



Hon. Dr Megan Woods
Minister of Housing

Appendix 3: Examples of other CHP structures

Option	1. Ownership structure	2. Services	3. Capitalisation	4. Asset transfer	5. Financing capacity
Ōtautahi Community Housing Trust	Independent community trust <ul style="list-style-type: none"> Council appoints some Trustees (minority), rest independent 	TM, reactive and major maintenance <ul style="list-style-type: none"> Separate (jointly controlled) maintenance fund 	Medium <ul style="list-style-type: none"> \$5m transferred in bare land and \$45m in existing property (Council secured loan) 	Some transferred <ul style="list-style-type: none"> Majority leased Own some assets (via loan and new developments) ~1,900 units 	Medium <ul style="list-style-type: none"> GSA constrains ability to borrow Surplus cash flow (CF) used for maintenance fund. ~40% IRRS
Haumarū Housing LP	Limited Partnership <ul style="list-style-type: none"> 49% AC 51% Selwyn Foundation 	TM, reactive and major maintenance (sub-contracted)	Minimal <ul style="list-style-type: none"> Low upfront capitalisation Refurbishment costs funded by a maintenance fund Partner funds and management expertise from SF 	No properties transferred; all leased <ul style="list-style-type: none"> Peppercorn rent allows maintenance to be funded ~1,400 units 	Minimal <ul style="list-style-type: none"> Limited current borrowings Would need to leverage leasehold interest ~40% IRRS
Te Āhuru Mōwai LP	Limited Partnership <ul style="list-style-type: none"> GP is Te Rūnanga o Toa Rangatira (Ngāti Toa) 	TM and reactive <ul style="list-style-type: none"> Separate (jointly controlled) major maintenance fund 	Minimal <ul style="list-style-type: none"> Capitalised through partner funds Development costs funded from maintenance fund 	No properties transferred; all leased <ul style="list-style-type: none"> Peppercorn rent to KO allows maintenance to be funded CHP call option ~900 units 	Minimal <ul style="list-style-type: none"> Surplus CF used for maintenance fund. 100% IRRS
Accessible Properties Ltd (Tauranga)	Charitable organisation <ul style="list-style-type: none"> Separate SPV (LP) owns assets 100% owned by IHC 	TM, reactive and major maintenance (sub-contracted)	Medium <ul style="list-style-type: none"> Accessible / IHC had balance sheet in own right Asset purchase funded via 80% debt 	Full sale <ul style="list-style-type: none"> 1,124 assets sold at significant discount to Market Value Crown retains difference as sub-debt investment 	Medium <ul style="list-style-type: none"> Financing capacity utilised through original purchase 100% IRRS

Appendix 4: CHP legal structure options summary

	Independent Trust	Limited Partnership or Company
Example	OCHT	Haumarū
Ownership	Owned by the community	Owned by Council (minority) + partner(s) (majority)
Governance	<ul style="list-style-type: none"> Governed by a Board with a minority number of Council board members (e.g., 3 of 7), with the remaining positions being independent Simple governance structure that allows the CHP to build a strong independent identity 	<ul style="list-style-type: none"> Governed by a Board with a minority number of Council board members commensurate with shareholding, with the remaining positions appointed by partner organisations A more complex governance structure
Public ownership protections	<ul style="list-style-type: none"> A charitable trust's purpose under the Trust deed and stated activities must benefit the public Charities Act requires assets to continue to be used for charitable purposes 	<ul style="list-style-type: none"> Limited Partnerships are corporate structures in which minority and majority partners hold partnership interests, similar to a limited liability company which has shares Partnership interests or shares (as applicable) are able to be bought and sold over time (within the parameters set out in the partnership agreement or constitution and shareholders' agreement (as applicable))
Opportunities for Council to influence outcomes	<ul style="list-style-type: none"> Council maintains some control/influence through governance arrangements. Politically palatable, and fits with community purpose Success of organisation determined via controls in the Trust Deed and Lease arrangements Does not preclude potential asset/leasehold owning SPV to partner 	<ul style="list-style-type: none"> Owned by Council and partner(s) Council maintains some influence through governance arrangements Council has ability to sell its partnership interest or shareholding (as applicable) Governance has multiple competing objectives
Partnership opportunities	<ul style="list-style-type: none"> Governance / operational 	<ul style="list-style-type: none"> Governance + ownership interest directly in the CHP
Tax implications	<ul style="list-style-type: none"> Income tax exemption for CHPs applies if all profits are retained by trust or distributed to other registered CHPs or tax Charities. If the trust is a registered charitable trust, income derived by a registered tax charity is exempt from income tax. 	<p>Limited Partnership</p> <ul style="list-style-type: none"> Flow through entity for income tax (IT) purposes. IT exemptions only apply to income derived by the limited partners (LP) if the LPs are registered tax charities or registered CHPs (or not taxpayers). Council is not a taxpayer so Council income by the CHP would not be subject to IT. IT exemption for other investors depend on its tax profile. <p>Limited Liability Company (not for profit)</p> <ul style="list-style-type: none"> IT exemption for CHPs applies if all profits are retained by company or distributed to other registered CHPs or tax Charities

ECONOMIC WELLBEING STRATEGY - ENGAGEMENT APPROACH

Kōrero taunaki

Summary of considerations

Purpose

1. The purpose of this report is for the Pūroro Rangaranga - Social, Cultural and Economic Committee to:
 - a. Note the feedback Council has received to date from the business sector on the challenges the city faces, and
 - b. Agree to co-create the new Economic Wellbeing Strategy with the business sector and other city stakeholders.
2. A high-level overview of core elements of the draft Economic Wellbeing Strategy is outlined in the paper and will be used to support discussions with city stakeholders.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Environmental wellbeing - Sustainable, natural eco city
- Social wellbeing – People friendly, compact, safe and accessible capital city
- Cultural wellbeing – Innovative, inclusive and creative city
- Economic wellbeing – Dynamic and sustainable economy
- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

Strategic alignment with priority objective areas from Long-term Plan 2021–2031

Relevant Previous decisions

The Council has agreed to the development of a new Economic Wellbeing Strategy.

Significance

The decision is rated high significance in accordance with schedule 1 of the Council's Significance and Engagement Policy. This is rated high significance because it impacts on and will be of interest to a large proportion of the community and there will be diverse views.

Financial considerations

Nil Budgetary provision in Annual Plan / Long-term Plan Unbudgeted \$X

3. Resources are in place to develop the new Economic Wellbeing Strategy. There is also a broad range of projects and initiatives already in the 2021 Long-term Plan that will support the city’s future economic wellbeing – everything from investment in core infrastructure to support business productivity, through to upgrades of Council events venues and facilities.
4. It is likely that the co-creation of the new Economic Wellbeing Strategy will result in additional initiatives and / or changing the way existing resources are applied. Where initiatives have a funding impact, this will need to be considered as part of the 2022/23 draft annual plan process where new funding is considered and prioritised against other initiatives and budget variances.

Risk

Low Medium High Extreme

5. Overall Wellington has a strongly performing economy. The city’s economy is largely knowledge based and highly productive. But cities continuously evolve and change, and currently the city has a range of challenges that if not addressed will make the city less attractive to businesses and people in the future.
6. The purpose of Economic Wellbeing Strategy is to identify an ambitious and aspirational future economy for the city that the Council, central government, business, mana whenua and other stakeholders support, and can collectively work towards and invest in.
7. A key risk for landing the strategy is businesses not supporting it. This is being mitigated by taking a co-creation approach to developing the strategy and action plan.

Authors	Kerryn Merriman, Team Leader Strategy Baz Kaufman, Manager Strategy and Research
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga

Officers' Recommendations

Officers recommend the following motion

That the Pūroro Rangaranga - Social, Cultural and Economic Committee:

- 1) Receive the information.
- 2) Note the sector feedback received to date on the city's economic challenges as outlined in this report.
- 3) Agree to **Option 2: Co-creation of draft strategy** – the co-creation approach of developing the draft Economic Wellbeing Strategy as outlined in the report.
- 4) Note that officers will bring a co-created draft Economic Wellbeing Strategy to the December committee meeting.

Whakarāpopoto

Executive Summary

8. The purpose of this paper is to seek approval for taking a co-creation approach to development of the Economic Wellbeing Strategy and provide a draft outline of the strategy.
9. Work on developing the strategy is in progress. To date it has drawn on discussions Council had with a variety of business sectors in 2020, and a review of what we know to be good practice from cities around the world, global trends and local information.
10. We have reviewed trends around the world and considered them in the Wellington context. These trends include; the continued migration from rural to urban areas, acceleration of flexible working and working from home challenging city centres, an increasingly environmentally and socially conscious consumer and businesses, the acceleration of the move to digital purchasing, consumers seeking experiences, and a movement from GDP as the sole measure of the economy's performance to a more holistic approach that recognises social, cultural and environmental outcomes.
11. During 2020 our team have conducted early discussions with business groups to identify strengths and challenges. We have used this input to guide the development of the strategy.
12. Wellington has some unique economic advantages to grow a more prosperous economy. We have a knowledgeable and creative workforce who are innovative and inclusive. Young people are entrepreneurial, and we are home to Crown Research Institutes, Universities, and Government, as well as many major cultural institutions. Wellington also has a favourable quality of life with easy access to natural amenities.
13. However, lockdowns are shaking business sustainability and resulting in unemployment, while closed borders are creating key staff shortages. City experience is variable with empty shops, pockets of safety concerns, and people working from home. Businesses are worried about impending major capital works causing further disruption while costs of business are rising. There are also concerns about education pathways to employment being unclear and housing costs are pushing young talent out.
14. Based on the research findings, we have determined it appropriate to shift from Economic Development to Economic Wellbeing. This means understanding the impacts of economic activities in a holistic way – how they will impact and even drive improvements in social, cultural and environmental outcomes.

-
15. The early discussions with business sector have informed the basis of understanding issues that need to be addressed, and enabled the development of a draft strategy to aid engagement with the business sector and other city stakeholders. A draft strategy is outlined:
16. There will be four unifying principles that run through the strategy:
- Regenerative and Zero Carbon Economy** – This supports the Te Atakura First to Zero Strategy – *We ensure our city’s economic investments enable environmental regeneration and achievement of a zero-carbon city for the enhancement of current and future generations.*
 - Honouring Te Tiriti by partnering with mana whenua** - *We will work with mana whenua to deliver Te Matarau a Maui⁶.*
 - Collaborating with others** – Business sectors, councils in the region, and central government – *We collaborate with others to achieve our objectives.*
 - A city for all people** – This links to the Social Wellbeing Framework and Children and Young People Strategy – *We consider the diverse needs of our people to ensure an inclusive and accessible city for all.*
17. The strategy contains 6 outcomes, with an explanation of what they mean and what you can expect to see. The action plan will link to the 6 outcomes. They are:
- A Vibrant City** – *Shaping and activating the city so that it is a safe, diverse and attractive place to be.*
 - An Evolving and Regenerating City** – *We regenerate the city and invest to make the city future-ready.*
 - A City where Talent wants to Live** – *Wellington attracts a skilled and diverse workforce to enable the city to thrive.*
 - Innovative and Digital City** – *Using our Digital Advantage to create a more informed, open and connected city.*
 - Easy to do Business** – *Businesses are supported to succeed.*
 - Accentuate the Capital** – *Our city celebrates our capital city status.*
18. A two-phased approach to engagement is proposed; early co-creation engagement and public consultation. Taking a co-creation approach to finalising the strategy is crucial to our success. We are proposing to engage with a variety of business forums and networks, sector groups, as well as utilise the council reference groups. This will result in a balanced view from experienced businesses and younger age groups to support an economy fit for the future.
19. We have provided two options for engagement. One is Consultation, and the other is Co-creation. We are recommending Option 2 – Co-creation.
- Option 1: Consultation** – Consultation means meeting our minimum requirements to consult with the public at large. This approach will utilise the information we have collected so far to write the draft strategy and then take it out for community consultation before finalising. The timeline for this option would involve drafting the strategy in October, Public Consultation in November, and Finalising the Strategy in December and signing off in January 2022.

⁶ Maori Regional Economic Strategy

- b. **Option 2: Co-creation** – Co-creation means providing the opportunity for businesses and other interested stakeholders to input into the design before wider community consultation. It will take longer to develop, but will result in a more robust strategy that businesses can see themselves in and support. The timeline for this option would involve co-creation meetings in October and November and drafting the strategy along the way. We would bring a draft strategy to Council in December ready for Public Consultation in February 2022, and Finalising the Strategy in March / April ready for sign-off in May/June 2022.

Takenga mai

Background

20. The current Economic Development Strategy for Wellington was published in 2011. That strategy was developed because of concerns about the urgent need for Wellington to respond to significant changes in the global economy after the global financial crisis, the increasing focus by central government on Auckland and Christchurch for investment, and the downsizing of the public sector in Wellington.
21. Much has changed since 2011, and much continues to change and remain uncertain because of Covid-19. What is clear from early discussions with Wellington's business sectors is that Covid-19 has created ongoing uncertainty and significant challenges; that they would like a new aspirational economic strategy for the city to act as a 'roadmap' for investment from Council, business and other city partners, and they would like to be actively involved in creating that strategy.
22. While initial discussions have taken place with some business sectors in the city, this was in 2020 shortly after the first lockdown and there is a need to re-engage to co-create a draft Economic Wellbeing Strategy that sets out a pathway for the long-term.

Kōrerorero

Discussion

23. Work on developing the strategy is in progress. To date it has drawn on discussions Council had with a variety of economic sectors in 2020, and a review of what we know to be good practice from cities around the world and closer to home.
24. It is also being informed by research on global trends – it is important to understand these trends as they will shape and influence how our city and economy will likely function in the future.
25. We have reviewed trends around the world and considered them in the Wellington context. In summary:
 - a. **Urbanisation** – Migration to from rural areas to cities remains strong, and cities are competing for business and a skilled workforce. Housing affordability and inclusivity is becoming an issue globally and in Wellington. We have a younger population compared to the rest of New Zealand, but housing affordability is challenging their ability to live and work locally.
 - b. **Flexible Working** – Work-life balance and the ability to work alternative hours, from home, and job share were on the rise, and Covid-19 lockdowns have accelerated this trend as the world enforced a 'work from home where possible' experiment. It is now challenging the vitality of central city economies and providing opportunities for suburban centres.

-
- c. **Environmental Sustainability and Carbon Zero economies** – Consumers and businesses have increasingly become more environmentally conscious, and the noticeable reduction in air pollution during the Covid-19 pandemic has accelerated this. There is a desire for economies to become Circular and work within the sustainable limits of the resources to maintain future life.
 - d. **Physical to Digital** – The lockdowns in many countries have led to a rapid embrace of the Digital world. Wellington is well placed to thrive in this world, with its strengths in creativity and digital. But the trends are occurring globally, so we need to identify our competitive advantage and capitalise on our success to grow and export our expertise.
 - e. **Experience economy** – Globally we are seeing developing and emerging economies shift away from primary industries to higher value-added activities. The experience economy includes travel, dining, and entertainment, as well as extending to customer experience of products and services. This transforms the idea of location into place - places are locations with significance where people want to be, rather than have to be. Covid-19 has accelerated this trend effecting retail, office spaces and hospitality.
 - f. **Social enterprises** – Consumers are more conscious of the impacts of their spending behaviours, using their dollars to support businesses whose environmental and social practices align with their values and often these businesses are independently and locally owned. This shift in consumer demand is driving change at a corporate level, with more businesses seeking to actively demonstrate ethical and sustainable practices as point of competitive advantage.
 - g. **From GDP to Economic Wellbeing** – There is a global movement towards considering social, cultural, and environmental outcomes as part of economic activities. This movement is highlighted through the United Nations Sustainable Development Goals, European Union shift towards a Wellbeing Economy, and the Doughnut Economics theory designed by Kate Raworth. Considering Wellbeing is about trying to identify how to meet the needs of all people while living within our planetary boundaries. The Treasury New Zealand has set the scene by considering the dimensions and domains of wellbeing for current and future generations.
26. During 2020 our team have conducted early discussions with business groups to identify strengths and challenges. We have used this input to guide the development of the strategy.
27. **Strengths** – Wellington has some unique economic advantages to grow a more prosperous economy. We have a knowledgeable and creative workforce who are innovative and inclusive. Young people are entrepreneurial, and we are home to Crown Research Institutes, Universities, and Government, as well as many major cultural institutions. Factors that give Wellington a competitive advantage that can be built on include:
- a. **Knowledge and talent** – We have the most educated population in NZ and strong education institutions.
 - b. **Compact and connected** – We have a compact centre with a strong café culture, where people can easily move around and get together and share and build on their ideas to drive innovation.

-
- c. **Digital industries** – We have world leading expertise in film and game development and have a large cluster of successful creative digital industries that get their edge from research, design, knowledge, and innovation.
 - d. **Innovative, Creative and Inclusive Culture** – We have an energetic, creative, and entrepreneurial culture that supports many small businesses, and authorities that enable innovation and development. And they see diversity as an advantage.
 - e. **High quality of life** – The city offers a remarkably high quality of life — the environment, amenities, opportunities, culture, and ‘buzz’ make Wellington an attractive place to live.
 - f. **Access to natural amenity** – People love the ability to connect with nature easily, before during or after work, for example, on our waterfront, or great mountain biking tracks.
 - g. **Capital city status and home of public service and crown research institutes** – We are the political capital of New Zealand and home of government and the public service. We are also home to crown research institutes and professional services industry that support the public sector. These sectors provide good incomes resulting in Wellington having the highest household incomes of any city in New Zealand by a significant margin.
 - h. **Māori economy** – Wellington has two mana whenua that have resources and plans for playing a bigger role in Wellington’s and the region’s economy. This strategy provides the opportunity to embed the outcomes of Te Matarau a Māui: Collaborative Pathways to Prosperous Māori Futures to realise the region’s aspirations for the Māori economy at a city level.
 - i. **Home of major NZ cultural institutions** – Wellington is New Zealand’s creative capital for good reason. We are the home of many of New Zealand’s national arts and culture institutions and Wellingtonians love the arts, culture, and creativity.
 - j. **Low carbon city** – We have the lowest carbon use per capita of any city in Australasia. At a regional level, we have the lowest carbon per capita on par with Nelson (source: StatsNZ).
 - k. **Young people are entrepreneurial** – We have great young talent that are creative and entrepreneurial, bringing the next generation of businesses and talent to life.
 - l. **Strong regional partners** – We have strong regional partners in regional and local councils across the Wellington region.
28. **Challenges** – Lockdowns are shaking business sustainability and resulting in unemployment, while closed borders are creating key staff shortages. City experience is variable with empty shops, pockets of safety concerns, and people working from home. Businesses are worried about impending major capital works causing further disruption while costs of business are rising. There are also concerns about education pathways to employment being unclear and housing costs are pushing young talent out. The key challenges that were raised by business sectors are outlined:
- a. **Infrastructure investment needed** – Wellington is growing. More people are expected to be living and working in the city, we need to manage the additional pressure that puts on the city’s resources, which provide the foundation for a functioning economy. Our infrastructure requires significant investment to ensure it is reliable and resilient – particularly transport and three waters, but also supporting infrastructure like electricity and communications will require investment.

-
- b. **Disruption from major capital works (city is a work-site)** – Businesses are supportive of the need for infrastructure investment but are worried about the disruption this will cause to their business, and the likely reduced footfall in the area. Ongoing earthquake strengthening of buildings in the central city is also causing disruptions and reducing the amenity experience of the surrounding area, and Council's planned transport infrastructure investment in the CBD is expected to cause further business disruption in the years ahead which is a concern to some. Multiple occurrences of works will make the disruption more painful, so it is critical that the waters, transport and building regeneration are coordinated.
 - c. **Working from home** – Technology continues to change how our economy functions. The ability to go about many of our day-to-day tasks online has created greater flexibility and choice around where people work, live, and socialise. While cities continue to grow, more people are looking to meet their daily needs closer to home, changing patterns of demand in central city areas everywhere. This has been accelerated by Covid-19 lockdowns. This changes our central city from a place where people must come to transact, to a place where people come for the experience and want to be.
 - d. **Border closures creating key staff shortages** – Covid-19 has had a material impact on the bottom line of many businesses, border closures mean tourism numbers are down, and many businesses cannot secure skilled staff from overseas.
 - e. **Declining City Vibrancy and Safety** – Earthquake damage and seismic risk has resulted in the closure of many buildings (including Council buildings and venues) in the city which has impacted city vibrancy, and key entertainment precincts like Courtenay Place have become less vibrant and less safe. This has been exacerbated with the Covid-19 pandemic lockdowns causing businesses to close.
 - f. **Shortage of Affordable Housing and high cost of living** – A lack of affordable housing in Wellington, and increasingly in the region, is forcing talent out of the city - particularly younger people and those on lower incomes. We risk losing workers and the diversity of our population will reduce if housing is not addressed. Cities compete globally for talented people, and our housing costs and cost of living makes us a less attractive place to settle and start a career or business.
 - g. **Pathways from education to employment are unclear** – Employers are concerned about young people's pathways to employment. They are not always getting the right level of training to be work-ready, and we are not training young people in the areas where we have skills needs.
 - h. **Increasing costs (insurance and regulations)** – Different sectors have different challenges that stifle investment. This ranges from the increasing cost of insurance for the property sector, central government's move to the region's, regulatory costs, and processes, through to barriers around start-up costs and access to capital for some of the city's creative enterprises.
 - i. **Regional coordination required** – Wellington is the economic heart of greater Wellington. Much of the region's jobs are in Wellington City and a growing proportion of the city's workforce are housed beyond the city's boundaries. Greater regional coordination on infrastructure and housing is required to ensure Wellington and the region can thrive.
 - j. **Environmental and social impacts and the conscious consumer** – The negative impact of some of our economic activities on the environment is widely acknowledged and governments and businesses alike are expected to take action to

slow the progress of climate change. There is also increasing recognition that the current economic model is not delivering fairly across all groups and that this is a systemic issue rather than an individual one (particularly for Māori and Pacific peoples, women, recent migrants, and disabled people). Consumers are more conscious of these issues and are actively supporting businesses that can demonstrate sustainable and ethical practices. Often these businesses are local.

29. Based on the research findings, we have determined it appropriate to shift from Economic Development to Economic Wellbeing. This means understanding the impacts of economic activities in a holistic way – how they will impact and even drive improvements in social, cultural and environmental outcomes.
30. **Approach to engagement** – A two phased approach; early co-creation engagement and public consultation. It is important that the business community supports the strategy, can see themselves in it and understand the vision for the future. Since the pre-engagement exercise, a lot has changed, and is still evolving as the country continues to navigate the Covid-19 pandemic. Therefore, taking a co-creation approach to finalising the strategy is crucial to our success. We are proposing to engage with a variety of business forums and networks, sector groups, as well as utilise the council reference groups. This will result in a balanced view from experienced businesses and younger age groups to support an economy fit for the future. The different groups we want to talk to include Business Improvement Districts, Maori Business network, Council Controlled Organisations, Visitor, retail and hospitality, finance and insurance, tertiary education, digital and tech, Government and public services, crown research, young professionals, and our Council advisory groups.
31. If Council agrees to the co-creation approach, engagement will take place over October and November this year. We will return to Council in December with a draft strategy for public consultation. Public consultation will take place in late January and February 2022.
32. We will undertake co-creation engagement with each group on the principles, outcomes and possible actions. A skeleton of the strategy will be provided, as outlined below:
33. There will be four unifying principles that run through the strategy:
 - a. **Regenerative and Zero Carbon Economy** – This supports the Te Atakura First to Zero Strategy – *We ensure our city's economic investments enable environmental regeneration and achievement of a zero-carbon city for the enhancement of current and future generations.*
 - b. **Honouring Te Tiriti by partnering with mana whenua** - *We will work with mana whenua to deliver Te Matarau a Maui⁷.*
 - c. **Collaborating with others** – Business sectors, councils in the region, and central government – *We collaborate with others to achieve our objectives.*
 - d. **A city for all people** – This links to the Social Wellbeing Framework and Children and Young People Strategy – *We consider the diverse needs of our people to ensure an inclusive and accessible city for all.*
34. The draft strategy has been developed to reflect the early discussions held with the business sectors and the language and aspiration will evolve as we engage further through a co-creation exercise. The draft strategy contains 6 outcomes, with an

⁷ Maori Regional Economic Strategy

explanation of what they mean and what you can expect to see. The action plan will link to the 6 outcomes. They are:

35. **A Vibrant City – Shaping and activating the city so that it is a safe, diverse and attractive place to be.**
 - a. Investing in vibrancy, such as cultural festivals, events, and connections between natural and urban areas, is crucial for attracting and retaining talent and the wellbeing of our people. Vibrancy stimulates activity so our economy can thrive. Perceptions of the city are declining and WFH means less people are coming into the city. We need to create the vibrancy that attracts locals and visitors to experience our offerings.
 - b. Our approach is to support compact city growth, and accessibility. Invest in more events and things to see and do, access to nature and wilderness, being inclusive and diverse, and providing safe environments. This includes the central city and suburban centres.
36. **An Evolving and Regenerating City – We regenerate the city and invest to make the city future-ready.**
 - a. We have faced significant earthquake challenges, and are part-way through regenerating buildings and precincts like civic square. We also have a lot of infrastructure works coming through, such as Let's Get Welly Moving, and Three Waters, and other public places and transport investments. Businesses are worried about the disruption ahead. These investments are important so we can deliver a future city that is greener, resilient, vibrant and that people and business can thrive, now and into the future.
 - b. Our approach is to regenerate buildings, invest in green and resilient infrastructure, and partner with businesses to minimise disruption and keep the pedestrians flowing. Higher density living requires green space and hospitality – as the city becomes the resident's lounge and backyard, and the transport options that enable an inter-connected region to thrive.
37. **A City where Talent wants to Live – Wellington attracts a skilled and diverse workforce to enable the city to thrive.**
 - a. Without people, businesses cannot operate. Our natural population growth (births & death) is broadly static, so we rely heavily on attracting people to study and join the workforce. However, not all students are staying on after study, so we need to get better at converting students into Wellingtonians. One of the issues is housing affordability and supply. We need investment in affordable, attractive & denser housing that work for students and families, while promoting our unique offerings.
 - b. This means ensuring people want to live here and can make Wellington home; creating a vibrant city with a diversity of affordable housing options for students and families. Our approach is to promote the city's uniqueness and opportunities, increase the supply of affordable and quality housing, and identify the skills and support businesses need for success.
38. **Innovative and Digital City – Using our Digital Advantage to create a more informed, open and connected city.**
 - a. We are internationally recognised and are competing with other cities for talent. We need to maintain our creative advantage. Our tech & digital community need space, skilled staff & they need access to capital to scale-up. We need to be an active

participant and supporter of creative & digital communities, using technology to support Wellington's future and attracting diverse and talented people.

- b. Our approach is to drive innovative solutions through smart technology, celebrate our innovators and communities, use digital information to understand change and create a more informed democracy, and amplify digital inclusion opportunities for communities.

39. Easy to do Business – Businesses are supported to succeed

- a. Wellington has many small creative and innovative businesses with potential to grow to national or global success. To ensure businesses are resilient and enduring in the face of future challenges we need to provide an eco-system of support. Our rules and regulations are not always easy to navigate. We need to make them more customer-centric and helping people get to a yes is important so that they can focus on running their business or event.
- b. This means enabling businesses to scale-up and supporting businesses to learn, connect and grow, building stronger relationships between businesses and council, and promoting attractive and enduring services for our visitors. Our approach is to invest in services that support business uplift, stronger business relationships, regulatory processes redesign, and visitor promotion.

40. Accentuate the Capital – Our city celebrates our capital city status.

- a. We are the nation's Capital, the place of democracy, decision-making, memories, korero and actions for the nation. But our stories of the Capital and Wellington aren't readily accessible. We have an opportunity to tell our story better, and leverage our capital city status and attract greater visitation to the city.
- b. Our approach is to invest in visitor and education products, celebrate the success of government initiatives, and other achievements such as our UNESCO film status.

Kōwhiringa

Options

41. There are two options for the process to developing this strategy and action plan. One is Consultation, and the other is Co-creation.
42. **Option 1: Consultation** – Consultation means meeting our minimum requirements to consult with the public at large. This approach will utilise the information we have collected so far to write the draft strategy and then take it out for community consultation before finalising. The benefit of this approach is that the strategy can be written quickly and signed off before the end of the year. The dis-benefit of this approach is that businesses may not feel that this strategy meets their needs, nor understand why a particular direction has been taken. The timeline for this option would involve drafting the strategy in October, Public Consultation in November, and Finalising the Strategy in December and signing off in January 2022.
43. **Option 2: Co-creation** – Co-creation means providing the opportunity for a large number of businesses to input into the design before wider community consultation. This approach will recognise that a lot has changed in the economy in the last 18 months and use it as the bones for a co-creation opportunity with businesses to prepare the draft strategy before going out for public consultation. It will take longer to develop, but will result in a more robust strategy that businesses can see themselves in and support. The timeline for this option would involve co-creation meetings in October and November and

drafting the strategy along the way. We would bring a draft strategy to Council in December ready for Public Consultation in February 2022, and finalising the Strategy in March / April ready for sign-off in May/June 2022.

44. We recommend option 2, as this will provide a more robust outcome that has buy-in from the business community and other city stakeholders.

Whai whakaaro ki ngā whakataunga

Considerations for decision-making

Alignment with Council's strategies and policies

45. Economic Wellbeing Strategy is one of the core strategies for council, and sits below the Smart City 2040 Strategy.
46. We have also ensured alignment to the following strategies: Te Atakura – First to Zero Strategy, Aho Tini 2030 – Arts, Culture and Creativity Strategy, Social Wellbeing Framework, and Children & Young People Strategy.

Engagement and Consultation

47. Under the significance and engagement policy, this Strategy is of high significance, but does not require a SPC process. The Strategy will impact many people including businesses, communities and the wellbeing of our people.
48. We are recommending a co-creation pathway before final formal public consultation.
49. We have already met with different business sectors over the past 18 months to identify strengths and challenges that assisted in developing the draft framework.
50. It is our intention now to meet with a large range of businesses through a variety of business network groups including the Retail Association, Maori Business Network, Sustainable Business Network, and others.

Implications for Māori

51. Partnering with mana whenua is important for this Strategy and to support the success of Māori in the economy.
52. Mana whenua have a monthly hui to share and discuss projects. We will be putting forward an agenda item to attend the next possible hui and discuss the strategy and seek input into the strategy. At this time, we will also identify the longer-term partnering approach that will work for mana whenua and council.
53. We have identified that this strategy will try to give effect to Te Matarau a Maui – the Maori Regional Economic Strategy, rather than repeating or covering the same ground. We will work with mana whenua to achieve this.

Financial implications

54. There are no immediate funding implications.
55. Resources are in place to develop the new Economic Wellbeing Strategy. There is also a broad range of projects and initiatives already in the 2021 Long-term Plan that will support the city's future economic wellbeing – everything from investment in core infrastructure to supporting business productivity, through to upgrades of council events venues and facilities.

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56. It is likely that the co-creation of the new Economic Wellbeing Strategy will result in additional initiatives and / or changing the way existing resources are applied. Where initiatives have a funding impact, this will need to be considered as part of the 2022/23 draft annual plan process where new funding is considered and prioritised against other initiatives and budget variances.

Legal considerations

57. There are no legal implications.

Risks and mitigations

58. The overall risk for this strategy is medium.
59. Overall Wellington has a strong performing economy. The city's economy is largely knowledge based and highly productive. But cities continuously evolve and change, and currently the city has a range of challenges that if not addressed will make the city less attractive to businesses and people in the future.
60. The purpose of the Economic Wellbeing Strategy is to identify an ambitious and aspirational future economy for the city that the Council, central government, business, mana whenua and other stakeholders support, and can collectively work towards and invest in.
61. A key risk for landing the strategy is businesses not supporting it. This is being mitigated by taking a co-creation approach to developing the strategy and action plan.

Disability and accessibility impact

62. Disability and accessibility are considered through the principle "A city for all people". We will also continue to engage with Council's Accessibility Advisory Group to ensure accessibility is built into the draft Economic Wellbeing Strategy.

Climate Change impact and considerations

63. This strategy also responds to Te Atakura – First to Zero Strategy through the Outcome of An Evolving and Regenerative City. We are seeking to support the climate change objectives through the promotion of a Circular Economy and environmental responsibility in business activities.

Communications Plan

64. A communications plan will be part of the next phase as we move to public consultation. We're working with comms team to develop over October.

Health and Safety Impact considered

65. There are no health and safety implications.

Ngā mahinga e whai ake nei

Next actions

66. The next steps are to:

- a. Undertake co-creation engagement with business groups and other interested stakeholders.
- b. Meet with mana whenua to seek input into the strategy and action plan.
- c. Return to committee with a Draft strategy document for endorsement to proceed to public engagement.

Attachments

Nil

FORWARD PROGRAMME

Kōrero taunaki

Summary of considerations

Purpose

1. This report provides the Forward Programme for the Pūroro Rangaranga | Social, Cultural and Economic Committee for the next two months.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy

- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

Strategic alignment with priority objective areas from Long-term Plan 2021–2031

Relevant Previous decisions

Not applicable.

Financial considerations

- Nil Budgetary provision in Annual Plan / Long-term Plan Unbudgeted \$X

Risk

- Low Medium High Extreme

Author	Sean Johnson, Senior Democracy Advisor
Authoriser	James Roberts, Chief Operations Officer (Acting)

Taunakitanga

Officers' Recommendations

Officers recommend the following motion

That the Pūroro Rangaranga | Social, Cultural and Economic Committee:

1. Receive the information.

Whakarāpopoto

Executive Summary

4. The Forward Programme sets out the reports planned for Pūroro Rangaranga meetings in the next two months that require committee consideration.
5. The Forward Programme is a working document and is subject to change on a regular basis.

Kōrerorero

Discussion

6. Tuesday 2 November and Thursday 4 November 2021:
 - Trading and Events in Public Places Policy post consultation report (Chief Strategy and Governance Officer)
 - Recommendation from Grants Subcommittee: Grants criteria for Climate Change and Sustainability Fund (Chief Customer and Community Officer)
 - Recommendation from Grants Subcommittee: Social and Recreation Fund (Chief Customer and Community Officer)
 - Advisory group annual reports and workplans (Chief Strategy and Governance Officer)
 - Tākina Operating Model (Chief Executive Officer)
 - Te Kopahou Tracks network plan (post consultation) (Chief Customer and Community Officer)
 - Khandallah Pool (Chief Customer and Community Officer)
 - Easement for Telecommunications Purposes over Council Reserve – Maupuia (Chief Customer and Community Officer)
 - Proposal to extend Waimapihi Reserve name to Pohill Reserve (Chief Customer and Community Officer)
 - City Recovery Fund (Chief Strategy and Governance Officer)
 - Outcome of City Housing tenancy services review (Chief Customer and Community Officer)
 - Reporting back on changes to the leisure card scheme (Chief Customer and Community Officer)
 - Trails Wellington mountain bike track proposals 2021 (Chief Customer and Community Officer)
7. Thursday 2 December 2021
 - ASB Sports Centre re-naming (Chief Customer and Community Officer)
 - Recommendation from Grants Subcommittee: Grants criteria for Living Wage for Events Fund (Chief Customer and Community Officer)

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- Recommendation from Grants Subcommittee: Updating criteria for the Social and Recreation and Arts and Culture Funds (Chief Customer and Community Officer)
 - Mount Victoria Bowling Club (Chief Customer and Community Officer)
 - Naming proposal for the new Frank Kitts Park Play Area (Chief Customer and Community Officer)
 - Te Mahana Strategy: terms of reference for strategy review (Chief Customer and Community Officer)
 - Sustainable Food Network (Chief Customer and Community Officer)

Attachments

Nil

ACTIONS TRACKING

Kōrero taunaki

Summary of considerations

Purpose

1. This report provides an update on the past actions agreed by the Pūroro Rangaranga - Social, Cultural and Economic Committee at its previous meetings.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy

Strategic alignment with priority objective areas from Long-term Plan 2021–2031

- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

Relevant Previous decisions

Not applicable.

Financial considerations

Nil

Budgetary provision in Annual Plan / Long-term Plan

Unbudgeted \$X

Risk

Low

Medium

High

Extreme

Author	Sean Johnson, Senior Democracy Advisor
Authoriser	James Roberts, Chief Operations Officer (Acting)

Taunakitanga

Officers' Recommendations

Officers recommend the following motion

That the Pūroro Rangaranga | Social, Cultural and Economic Committee:

1. Receive the information.

Whakarāpopoto

Executive Summary

2. This report lists the dates of previous committee meetings and the items discussed at those meetings.
3. Each clause within the resolution has been considered separately and the following statuses have been assigned:
 - No action required: Usually for clauses to receive information or note information, or actions for committee members rather than council officers.
 - In progress: Resolutions with this status are currently being implemented.
 - Complete: Clauses which have been completed.
4. All actions will be included in the subsequent monthly updates, but completed actions and those that require no action will only appear once.

Takenga mai

Background

5. At the 13 May 2021 Council meeting, the recommendations of the Wellington City Council Governance Review (the Review Report) were endorsed and agreed to be implemented.
6. At the 13 May 2021 Council meeting, the recommendations of the Wellington City Council Governance Review (the Review Report) were endorsed and agreed to be implemented.
7. The purpose of this report is to ensure that all resolutions are being actioned over time. It does not take the place of performance monitoring or full updates. The committee could resolve to receive a full update report on an item if it wishes.

Kōrerorero

Discussion

8. Of the 12 resolutions of the Pūroro Rangaranga | Social, Cultural and Economic Committee in September 2021:
 - 7 require no action from staff.
 - 3 are in progress.
 - 2 are complete.

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9. 21 in progress actions were carried forward from the last action tracking report. Of these:
- 17 are still in progress.
 - 4 are complete.
10. Further detail is provided in Attachment One.

Attachments

Attachment 1. Action Tracking October [↓](#) 

Page 80

Date	Meeting	Item	Clause	Status	Comments
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.1 Wellington City Council Housing Action Plan 6-month Report	3. Note that the Housing Action Plan is currently under review, recognising changes to the proactive development (creating additional affordable supply), homelessness and City Housing sustainability priority areas.	In progress	Officers will report back to Pūroro Āmua Planning and Environment in November. This will cover reviewed Action Plan through to next triennium, accessible unit target setting, a proposal to review the housing strategy, an update on housing quality and healthy homes
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.1 Wellington City Council Housing Action Plan 6-month Report	5. Agree that future reports on the Housing Action Plan include targets to increase the number of universal design/accessible units across Council's portfolio including Te Kainga, what actions have been taken to increase Wellington's accessible housing stock, and updates on progress against targets.	In progress	Underway, engagement with AAG has provided some important input to target setting. Officers will report back to Pūroro Āmua Planning and Environment in November
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.3 City Housing Financial Sustainability	6. Agree to the following: a) Note that it is estimated that approximately 80% of city housing tenants would be eligible for IRRS if it was available b) Note that the Council is disappointed that the Government did not commit to implementing IRRS for City Housing tenants in budget 2021 given the long standing importance of this to tenant welfare and to the ongoing sustainability of City Housing. c) Instruct the Mayor and the CEO to write to the Minister of Housing and the Minister of Finance seeking to enter into formal negotiations to amend the Deed of Grant between the Council and the Crown including, but not limited to providing that IRRS is available for City Housing tenants. d) Agree that the reply to the letter to the Minister is formally tabled at the next available Council committee meeting after it is received. e) Instruct officers to commence work in parallel on items (i – iv) below for an initial report back to the Committee in September 2021 and to provide further reports to Committee on a quarterly basis: i) Establish a CHP (new entity) to enable tenants to access the IRRS and substantially address the operating deficit (subject to public consultation) ii) Negotiate with the government for the CHP to receive immediate access to the IRRS for all current, eligible tenants, rather than only for new tenants as properties turn over (current government policy settings) iii) Establish a sustainable financing model to fund the CHP's housing upgrade and asset maintenance requirements which may be another new entity (e.g. an SPV), or other arrangement, depending on subsequent decisions about the CHP structure (subject to public consultation) iv) If required, commit to provide a one-off capital injection to set the CHP (or SPV) up on a sustainable long-term footing, the size of which will depend	In progress 6c and 6d are Complete	Next report back to Committee is 7 October

Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.3 City Housing Financial Sustainability	13. Direct officers to report back to SCEC by 30 September 2021 with further advice on: a) Options for structuring the CHP (and any associated financing arrangements) to best meet Council objectives b) Implications of CHP design for the Council's wider balance sheet c) Progress on Deed of Grant renegotiation d) Consultation requirements under the Local Government Act	Complete	Report is going to this meeting.
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.4 Update on the Te Kāinga Programme	5. Agree to progressing discussions on the unsolicited proposals for the long-term lease of the properties detailed in Attachment Two and note that discussions are underway to establish the financial requirements for both the developers and Wellington City Council. The reviewed Housing Action Plan will be brought to Pūroro Āmua Planning and Environment later in 2021.	In progress	Update on programme will be reported back to Pūroro Āmua Planning and Environment in November.
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.4 Update on the Te Kāinga Programme	6. Authorise the Chief Executive to conclude all matters in relation to the projects detailed in Attachment Two, including the execution of the head agreement to lease sites on behalf of Council.	In progress	Update on programme will be reported back to Pūroro Āmua Planning and Environment in November.
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.4 Update on the Te Kāinga Programme	7. Note that a 6-month evaluation report on Te Kāinga Aroha will be provided to Pūroro Āmua Planning and Environment Committee later in 2021 with the full report provided to Committee in April 2022.	In progress	6-month evaluation report to Pūroro Āmua Planning and Environment in November.
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.5 Affordable Housing Supply and Development	4. Agree that officers will report back to Pūroro Āmua Planning and Environment Committee in October 2021 with further advice on: a. An updated position on the Housing Acceleration Fund b. Progress on discussions with HUD and KO on how we can deliver more affordable housing supply at scale and pace.	In progress	Update on programme will be reported back to Pūroro Āmua Planning and Environment in November.
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.5 Affordable Housing Supply and Development	7. Note that subject to agreement of recommendation 6, officers will report back to Pūroro Āmua Planning and Environment Committee in early August with a detailed 5-year plan including indicative timeline for delivery of the 1000 homes.	In progress	Update on programme will be reported back to Pūroro Āmua Planning and Environment in November.
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.5 Affordable Housing Supply and Development	8. Agree that officers will report back to Pūroro Āmua - Planning and Environment Committee in October 2021 confirming: a. Progress on the redevelopment of the Harrison Street Development site b. A preferred development scheme for the Nairn Street site including an assessment of mixed tenure opportunities and indicative budget for the project.	In progress	Update on programme will be reported back to Pūroro Āmua Planning and Environment in November.
Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.5 Affordable Housing Supply and Development	9. Agree that Build Wellington will progress with further assessment and feasibility on the potential for development, under a joint venture approach, of the five sites identified for divestment under the Strategic Housing Investment Plan (SHIP) that have capacity for redevelopment.	In progress	Update on programme will be reported back to Pūroro Āmua Planning and Environment in November.

Wednesday, 2 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.5 Affordable Housing Supply and Development	10. Agree, that subject to agreement of recommendation 9, officers engage early with Ngāti Toa Rangatira and Taranaki Whānui ki Te Upoko o te Ika on opportunities to undertake a joint venture approach to redevelopment.	In progress	Update on programme will be reported back to Pūroro Āmua Planning and Environment in November.
Tuesday, 22 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.1 Reporting back on public consultation of a new lease and new licence on Wellington Town Belt: Squash New Zealand Inc and Tanera Garden Inc	3. Agree to grant a new licence under the Wellington Town Belt Act 2016 to Tanera Garden Incorporated for a three-year term with one renewal term of five years. The land at Tanera Park is part of the Wellington Town Belt and is legally described as Part Lot 1 DP 10508 WN608/4.	In progress	Awaiting response from Lessee to proposed Lease.
Tuesday, 22 June 2021	Pūroro Rangaranga Social, Cultural and Economic	2.2 Cemeteries Management Plan	6. Note that options for non-perpetual plots will be reported back to Council for approval within the next three years.	In progress	
Thursday, 5 August 2021	Pūroro Rangaranga Social, Cultural and Economic	2.1 Wellington College Artificial Sportsfield Partnership	2. Agree to the extension of the current Funding Deed for Wellington College Artificial Sportsfield.	In progress	Preparing Funding Agreement extension. Estimated completion date is November.
Thursday, 5 August 2021	Pūroro Rangaranga Social, Cultural and Economic	2.1 Wellington College Artificial Sportsfield Partnership	3. Agree to the allocation of up to \$150,000 plus GST if applicable of Sportsville Partnership funding, subject to final negotiations, to Wellington College for the installation of a new artificial sports field.	In progress	Preparing Funding Agreement extension. Estimated completion date is November.
Thursday, 5 August 2021	Pūroro Rangaranga Social, Cultural and Economic	2.1 Wellington College Artificial Sportsfield Partnership	4. Agree to a contribution of up to 50% of the lighting upgrade costs within the term of the 10-year extension, timing and costs to be confirmed in the Funding Deed.	In progress	Preparing Funding Agreement extension. Estimated completion date is November.
Thursday, 5 August 2021	Pūroro Rangaranga Social, Cultural and Economic	2.2 Social wellbeing framework and the Strategy for Children and Young People - consultation report and approval	4. Approve the Strategy for Children and Young People, including marked up amendments from consultation (Attachment 4).	Complete	Strategy adopted at the meeting.
Thursday, 5 August 2021	Pūroro Rangaranga Social, Cultural and Economic	2. 4 Support for 2022 NZ Festival of the Arts	2. Agree that the additional \$300,000 funding required by the New Zealand Festival of the Arts is provided through the CCO Covid Response Support Fund.	Complete	
Thursday, 5 August 2021	Pūroro Rangaranga Social, Cultural and Economic	2. 4 Support for 2022 NZ Festival of the Arts	3. Agree that the Covid Response Support Fund budget be increased by \$300,000 for the 2021/22 financial year to action Recommendation 2.	Complete	

Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	2.1 Petition: That Khandallah Summer Swimming Pool remains open until the end of the Easter Holidays	1. Receive the information and thank the petitioner.	No action required	
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.1 Pōneke Promise safety initiatives	1. Recieve the information.	No action required	
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.1 Pōneke Promise safety initiatives	2. Note the progress made on the implementation of the Pōneke Promise programme.	No action required	
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.1 Pōneke Promise safety initiatives	3. Officers will review the membership of the Pōneke Promise Governance group to ensure there is representation from key community stakeholders including youth organisations.	In progress	Estimated to be completed in October.
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.1 Pōneke Promise safety initiatives	4. Note that the Sexual Violence Prevention Plan will include a theory of change outlining our overarching approach to ending sexual violence in Wellington, metrics of success and alignment with the work of the Joint Venture for Family Violence and Sexual Violence to harness opportunities that the resulting National Strategy will provide.	Complete	Completed; the theory of change and metrics for success are embedded in the framework for the Action Plan.
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.1 Pōneke Promise safety initiatives	5. Agree that Council officers approach DCM, Take Ten, the Ministry of Social Development, the Ministry of Housing and Urban Development, Kainga Ora, Capital and Coast District Health Board and the tertiary institutions and students' associations in Wellington with a view to them becoming partners. Note that this is not an exhaustive list. It is anticipated that other appropriate organisations may wish to become partners over time, the Council will encourage this.	In progress	Over the next 2 months we will engage with our stakeholders and agree on a process for this.
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.1 Pōneke Promise safety initiatives	6. Note that for public sector agencies, the provision of agreed actions, services, resourcing and/or funding should form part of the relevant MOU.	In progress	Estimated to be completed by December.
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.2 Action Tracking	1. Receive the information.	No action required	
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.3 Forward Programme	1. Receive the information.	No action required	
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.3 Forward Programme	2. Agree to extend the scheduled meeting on 4 November 2021 to start on 2 November 2021 and take place over those two dates.	Complete	
Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.4 Trading and Events in Public Places Policy Hearings	1. Receive the information	No action required	

Thursday, 2 September 2021	Pūroro Rangaranga Social, Cultural and Economic	3.4 Trading and Events in Public Places Policy Hearings	2. Hear the oral submitters and thank them for speaking to their submissions.	No action required
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