

Councillor Questions and Answers

Pūroro Rangaranga | Social, Cultural and Economic Committee meeting of 7 October 2021

The following questions were received from Councillors regarding items on the agenda of the Pūroro Rangaranga | Social, Cultural and Economic Committee meeting of 7 October 2021.

Item 2.1 Reserves Act 1977: Stormwater Attenuation Easement - 33 Ladbroke Drive, Newlands (Waihinahina Park - In Memory of Dennis Duggan)

Would the attenuation ponds be monitored in an ongoing way for water quality? Given that it is so near the old landfill, over time systems can change in the way they function. How do we make sure that there is no long term risk of leaching dangerous contaminants into stormwater flow in situations like this in the long term?

In general, when water enters a closed landfill, it travels down through the landfill material and exits into the leachate management system located below the landfill, which is tested and treated. All long term risks will be managed through a maintenance plan for the ponds which will include monitoring and maintenance of the watertight membrane and the clay cap under the ponds. The maintenance plan will be developed and reviewed by experts.

What will the public interaction with these ponds look like. Will there be access to these spaces?

The ponds and pond margins will be densely planted with wetland and riparian plant species. Therefore, public interaction with the ponds themselves will be physically difficult. Public interaction will be via paths, seating and a harakeke processing area adjacent to the ponds.

Item 2.2 City Housing sustainability: CHP design options

Do officers accept that that Government could refuse to agree to the establishment of a CHP?

All the options discussed in the paper would likely require the government's agreement and a negotiated change to the Deed of Grant. Officers have been open in our approach and have been working closely with central government on all potential sustainability solutions. This includes the work we have done together to investigate how a CHP might be established and any changes that may be required to the Deed.

Furthermore, a CHP would need to go through a registration process with the Community Housing Regulatory Authority (CHRA). We will provide further advice in May 2022 which will set out the requirements for the registration process. Although Council will need to work through the registration process, there is no indication that any issues would arise which would hinder this process. If the application meets the registration requirements, we expect that registration would be granted by the regulator.

What is the commitment/trigger that Council officers are suggesting the Council will need from the Government before this is included in the consultation for the next Annual Plan?

We have been upfront with government about the fact that we are progressing two parallel streams of work – including direct conversations with the government and work on a CHP. We have also been clear that we are required to consult with the public on the reasonably practicable options and

have been clear about our timeframes for this consultation – that this will happen through the Annual Plan process. Agencies are comfortable with the two parallel tracks of work continuing to progress in parallel.

Have officers done any analysis of what impact the Council defaulting on the deed would mean? In particular by divesting?

Divestment of the portfolio is not officers' preferred option as it does not meet the objectives set out in the paper. On this basis, our view is that it is not a reasonably practicable option and therefore is not included for consultation.

A material default on the Deed would likely require repayment of the government's contribution to the upgrade programme. The paper indicates that this would likely be required under the divestment option.

However, as set out above, officers are working with government agencies on the changes that are necessary to the Deed to give effect to any sustainability solution.

If Wellington City Council set up a CHP, wouldn't this significantly undermine the other CHPs in Wellington? What thought have been given to this?

There are ~10 CHPs operating across the Greater Wellington region, providing a mixture of public, affordable, and housing first (supporting a reduction in homelessness) tenancies. There is no expectation that establishing a new CHP would undermine the existing sector and WCC has supported the Wellington CHP market by leasing properties to them, current 65 leases and growing.

Given the current waitlists for public and social housing (greater than 900 in Wellington City alone on the MSD waitlist at June 2021 and 531 on the City Housing waitlist at 1 October 2021) there is an urgent need for additional public housing supply across the board, which a CHP would be better placed to develop (i.e. given the availability of additional government subsidies for CHPs for this purpose). The Ministry of Housing and Urban Development identified its intention to fund an additional 470-690 additional housing places in Wellington between 2021 and 2024.

How much of the \$180m would be part of the proposed CHP transition support package?

Officers will come back with further advice on the transition support package in May next year - this will include the value of the package and the specific type of financial support.

However, officers' advice is that meeting the \$180m commitment under the Deed is an important objective for the Council – this could be done in a number of ways. For example, the Council has already contributed \$13.5m to the costs of HUP1 as the first phase of the upgrade programme exceeded the \$220m contribution from the Crown. The transition support package is likely to be most feasible way to deliver on this Deed commitment.

How much money has the Council spent on contractors and consultants regarding a CHP already?

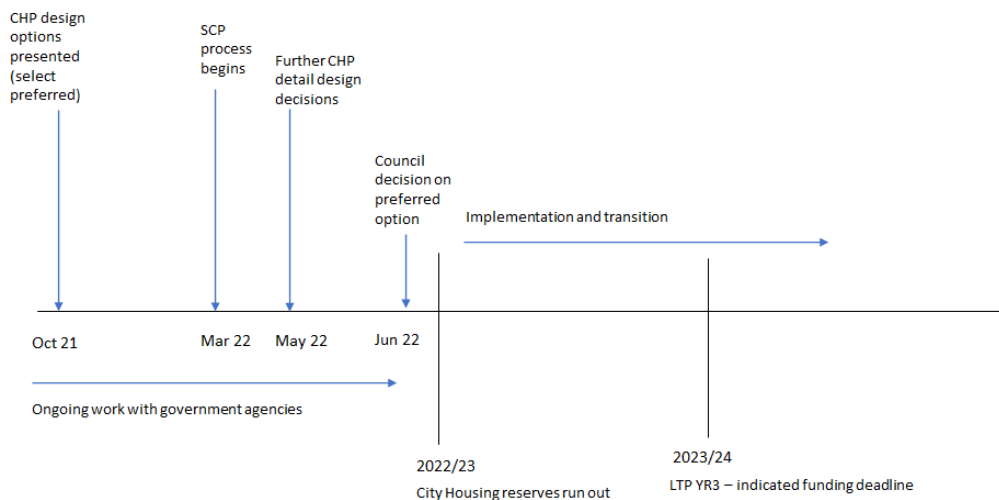
The budget for the phase of the work done to date is \$100,000 and the work will be delivered within budget.

Is it really appropriate or wise to be making such a big decision (future of city housing) in the pre-election period? In a practical sense, will a new Council be in a position to overturn the decision?

The paper sets out a timeframe to make decisions head of the pre-election period i.e., by May/June next year.

The sustainability work is on a critical timeline. We are unable to continue to defer this decision any longer due to CH facing insolvency in 22/23 and the requirement to begin HUP2 work and deliver Healthy Homes upgrades. Our tenants are also facing unsustainable rent increases year on year which must be resolved. The Council has also indicated through the LTP process that an alternative funding solution for City Housing was required within the first three years of the LTP. Additionally, some of the options being considered (e.g, CHP) have transition and implementation lead times that need to be allowed for. Taking a decision within the timeframes set out in the paper is necessary to ensure these transition timeframes could be accommodated. The figure below sets out the timeframe for next steps.

As with any resolution of Council, any future Council could choose to overturn it, if they wanted to.



If tenancies are handled by a possible CHP, what would happen to our Te Kainga tenancies? Would they also transfer to CHP or stay in house? Where would development of that programme sit within these models?

The Te Kāinga programme is delivered by the Build Wellington team and the programme will remain with WCC. CHPs can have affordable housing models within their portfolio, but these are created once the CHP is established.

What is the amount we are estimating we will need to provide for the gap by fully fund through Rates and Debt funding?

The full operating deficit for 10 years of the LTP is \$265m – this would be the value of rates that would need to be collected to fund the deficit.

The full value of the capital programme over 10 years is \$446m, including \$286m for HUP2, with the remainder for regular renewals and Healthy Homes upgrades.

Currently City Housing has \$50.6m in cash reserves, meaning any funding more than this would need to be funded through either rates or debt.

Does the anticipated \$20 - \$50 mill capital investment include the \$5-10 Mil set up costs or separate?

Yes, the \$20-\$50m includes the set up and establishment costs.

Could we have a full financial picture of anticipated OPEX and Capex costs to the council over the years to transition on the officer's recommendation, option 2, please?

The OPEX and CAPEX impact for transition will depend on decisions the Council makes on a transition support package. Further advice will be provided on this to the Council in May next year and the financial impact of that support will be included in that paper.

If we went to a CHP model, what are the main challenges and barriers in the transition for our tenants?

From the tenant perspective, the transition to a CHP would be a relatively seamless exercise. Tenants would stay in their existing properties and transition (via a new tenancy agreement) across to the CHP. The new Tenancy Management System (which goes live in April 2022) which has a tenant portal for all communication, is also likely to transfer across to the CHP so there would be no change from the tenants' perspective on that front either.

There are other transitional aspects that need to be considered, for example, whether existing housing tenancy staff transfer across to the CHP. This is something that will be worked through in later stages.

Under the CHP, new eligible tenants would receive the IRRS over time, but existing tenants would not (unless the government provided some access to existing tenants). This would mean it would take time for all CHP tenants to be receiving IRRS. If the crown agreed to some form of IRRS access to existing tenants, then these would likely need an updated agreement, to reflect the need to inform MSD of a change of circumstances.

This does result in some inequities between tenants in the same complexes, however, this situation already exists in City Housing properties as tenants who live in properties that are leased to CHPs can access the IRRS, but City Housing tenants do not.

What were the challenges other councils faced in the transition to a CHP? What were the public perception challenges? How did the tenants respond?

There are a number of councils that have made the decision to sell or lease their housing assets to CHPs, with many examples of positive outcomes both for tenants (i.e., reported through tenant satisfaction surveys) and the financial sustainability of the portfolio. In terms of key challenges, some CHPs, like many new organisations, have experienced modest growing pains with clear roles and responsibilities developing over time.

Previous experience suggests the impact on tenants has been positive where there is clear transparent communication and reassurance that their housing situation is secure and that their rent will remain affordable. Similarly, public perception challenges, such as an incorrect perception that the amount of housing for vulnerable people is reducing, can be mitigated through robust, proactive communications plans.

At the other councils/ CHP that have seen the tenants become 40 % funded with IRRS, did this cause any disruption to tenants? For example, did this mean that tenants needed to move to access the IRRS benefits?

For Ōtautahi/CCC, it was only new tenants that were eligible for IRRS, existing tenants stayed on their current rent settings and did not move. Hence it has taken five years to get to 40% of tenants receiving IRRS. We would like accelerated access to IRRS, but this is not currently an option agreed to under any CHP scenario.

If there was an opportunity to partner with mana whenua on housing - what benefits/challenges would the different ownership models provide? ie Council, CHP Charity, CHP limited partnership

Both the independent trust (charity) and limited partnership/company models provide opportunities to partner with mana whenua.

Under an independent trust model, mana whenua could participate through governance roles, including identifying a proportion of Trustees to be elected by mana whenua. Further, the CHP could establish operational partnerships with mana whenua entities, for example, through the delivery of supporting social services. While mana whenua would not hold an ownership interest in the CHP itself, officers will undertake further work on whether the leasehold interest in the properties could sit in an intermediary entity (such as an SPV), which mana whenua could potentially take an ownership stake in.

Under the limited partnership/company models, in addition to the options above, mana whenua could also take an ownership shareholding in the CHP itself. Typically, an incoming investor would be required to provide equity capital commensurate with their proportionate ownership according to the value of assets (less liabilities) held by the CHP.

Graph on Page 45 indicates immediately being able to influence housing supply if tenants can access IRRS straight away- have the minister and govt officers seen this graph? If yes, what was the response?

Yes, government agencies have seen this graph. The current policy position of the government is that the IRRS is available to the CHP's new eligible tenants, not for existing tenants.

Item 2.3 Economic wellbeing strategy - engagement approach

Doesn't this work step on the toes of WellingtonNZ?

The Economic Wellbeing Strategy sets the direction for the next 3-10 years. Our Strategies need to guide the work of Council and our CCOs. The Strategy includes the things Councils can do, our CCOs can do, and our partners and stakeholders can do. It guides the decision making for the day-to-day operations, including Wellington NZ. The Strategy will guide what we include in our letter of expectation to the CCOs which will flow through to their statement of intent. The Strategy enables the appropriate budgets to be set through the LTP and annual plan processes, as well as provides the ability to seek government funding where appropriate. For example, for WellingtonNZ to access government Tourism funding, we must provide the direction for Tourism in our strategy.

Note also, that we are working closely with WellingtonNZ to ensure direction is realistic.

Why has the work been so delayed compared to the other strategies?

The other strategies – Aho Tini, the Social Framework, and the strategy for Children and Young People were completed within the specified timeframe. The Economic Wellbeing Strategy was advanced during this period, but due to staff turnover, and a tight labour market resources were not available to complete the strategy. It was always stated at the outset that the timeframe to complete all requested strategies was ambitious and subject to resourcing availability. Resourcing is now in place to allow for the completion of the strategy.

Where is the role for workers in co-creation? Can you please advise of an appropriate amendment to ensure worker voice is included?

Good question. We intend to seek multiple perspectives, including youth perspective. We can identify ways seek the worker feedback as part of the co-creation. There will also be an opportunity for the public to provide feedback during the consultation stage early in 2022. We are still finalising the sector engagement list, and we are happy to take suggestions if there are particular groups you think we should meet with. Suggested amendment to para 46:

1. It is our intention now to hear a range of employer and employee voices by meeting with a large range of businesses through a variety of business network groups including the Retail Association, Maori Business Network, Sustainable Business Network, Youth Council, and others.