
ORDINARY MEETING

OF

COMMUNITY, SPORT AND RECREATION COMMITTEE

AGENDA

Time: 9.15am
Date: Thursday, 18 September 2014
Venue: Committee Room 1
Ground Floor, Council Offices
101 Wakefield Street
Wellington

MEMBERSHIP

Mayor Wade-Brown

Councillor Eagle (Chair)
Councillor Free
Councillor Marsh
Councillor Peck
Councillor Ritchie
Councillor Sparrow
Councillor Woolf

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 803-8334, emailing public.participation@wcc.govt.nz or writing to Democratic Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number and the issue you would like to talk about.

AREA OF FOCUS

The focus of the Community, Sport and Recreation Committee is to build strong, safe, healthy communities for a better quality of life. It will be responsible for social infrastructure (including social housing), social cohesion, encourage healthy lifestyles, support local community events, protect public safety, and provide a wide range of recreation and sporting facilities for residents and visitors to use and enjoy.

Quorum: 4 members

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1 Meeting Conduct

1.1 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.

1.2 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.

1.3 Confirmation of Minutes

The Minutes of the Meeting held on 7 August 2014 will be put to the Community, Sport and Recreation Committee for confirmation.

1.4 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 3.23.3 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.

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 Community, Sport and Recreation Committee.

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.

Minor Matters relating to the General Business of the Community, Sport and Recreation Committee.

No resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Community, Sport and Recreation Committee for further discussion.

2. General Business

CITY HOUSING PORTFOLIO ASSESSMENT FRAMEWORK

Purpose

1. City Housing has developed the Portfolio Assessment Framework as a tool to assist in the continuous improvement of the performance of the Council's social housing portfolio. This paper seeks Councillors agreement to the Portfolio Assessment Framework and endorsement of the principles as set out in the assessment criteria. Agreement is also being sought on the process for adoption and implementation of the Framework.

Summary

2. City Housing is in Year 7 of the 20 year Housing Upgrade Programme. The first part of the Housing Upgrade Programme concentrated on high density complexes and seismic upgrade priorities. By the end of 2014 35% of the portfolio will have been upgraded. The remainder of the portfolio includes sites; that require upgrade, sites that may be suitable for intensification or may be considered for divestment.
3. The *City Housing Asset Strategy 2013-2033* was presented to Councillors in August 2013 and a set of asset related principles agreed. Development of a portfolio assessment tool using those principles was one of the actions set out in the Asset Strategy.
4. The proposed Portfolio Assessment Framework will enable City Housing to objectively assess and compare properties in our present and potential future portfolio, in order to meet Council's strategic objectives. Any divestment will be balanced with development or acquisitions in order to maintain the social housing portfolio at 2007 levels, or better, as required by the Deed of Grant with the Crown.
5. Subject to the City Housing Assessment Framework, being agreed by Committee, it is proposed that the Framework is explained in the 2015-25 Long-term plan and a decision-making process established and delegated.

Recommendations

That the Community, Sport and Recreation Committee:

1. Receive the information.
2. Note that the Strategy and Policy Committee agreed *Shaping our Housing Future: Wellington City Housing Asset Strategy 2013-2033* vision, purpose and principles in August 2013 and that the City Housing Portfolio Assessment Framework is based on those principles.
3. Agree to the City Housing Portfolio Assessment Framework including the assessment matrix.
4. Agree to refer the City Housing Portfolio Assessment Framework to the Governance, Finance & Planning Committee for inclusion in the draft 2015-25 Long-term plan.
5. Note that it is proposed that divestment decisions under the City Housing Portfolio

Assessment Framework will be made by the Community, Sport and Recreation Committee and that provision will be made for this delegation in the 2015-25 Long-term plan.

6. Note that a review of the City Housing business model is currently being undertaken and will be reported back to Council by June 2015.

Background

7. The Council and the Crown signed the *Deed of Grant for Wellington City Council's Social Housing* in 2008. The Deed outlined a 20-year housing upgrade programme valued at \$400 million, the cost of which (up to \$220 million) was to be substantially met by the Crown over the first 10 years. In return, the Council committed to remain in social housing at approximately the same levels until June 2038 and ring-fence all income from its social housing activity for reinvestment back into the asset. The Council's objectives in signing the Deed were:
- To ensure the long term provision of social housing
 - To enable the City Housing business unit to provide safe and secure housing to an appropriate modern standard; and
 - To ensure the on-going financial sustainability of the social housing portfolio.
8. The Crown funding has principally been invested in the upgrade of the high rise, high density sites and the Council will receive the final funds (\$26.5m) in July 2015. It was intended that the second tranche of upgrades would be largely funded by ring-fenced surplus rental income.
9. As previously identified by officers the Council's ability to fund the second part of the upgrade programme has been negatively affected by events beyond the Council's control including; the increase in GST to 15%, insurance costs tripling to \$1.6m per year and, to a lesser extent to date, construction cost inflation. A review of the City Housing business model is currently being undertaken and will be reported back to Council by June 2015.
10. In August 2013 the Strategy and Policy Committee agreed *Shaping our Housing Future: Wellington City Housing Asset Strategy 2013-2033* vision, purpose and principles. (The SPC report is attached for reference as Appendix 1.)
11. The 1 August 2013 Strategy and Policy Committee paper directed officers to:
- 9. *Note the following City Housing projects that will be reported to Strategy and Policy Committee in the next 6-12 months;*
 - (a) *Arlington Indicative Business Case*
 - (b) Principles of Investment/Divestment in Social Housing**
 - (c) *Policy Review*
 - (d) *Arlington Business Case*
12. Development of a Portfolio Assessment Framework was also one of the actions set out in the Asset Strategy.
13. The asset related principles agreed to by the Strategy and Policy Committee have been reflected in the City Housing Portfolio Assessment Framework (the Framework) and are:
- Location – Housing should be well located i.e. close to public transportation routes and essential services
 - Design – Housing should be maintained and renewed to contemporary, functional design standards in terms of access, aspect, security, use of space, health and safety, energy efficiency and use of materials

- Stock matched to demand – City Housing should be able to respond to demand from different sized and type of households
 - Adaptability – Housing should be capable of responding to the needs of people with different cultural backgrounds, different physical abilities etc
 - Value retention – The Council's investment in housing should retain value over time.
14. The City Housing Portfolio Assessment Framework also takes into consideration:
- Wellington Urban Growth Plan
 - Wellington Housing Accord
 - Voluntary Warrant of Fitness for private and Council rental housing
 - Housing New Zealand Regional Action Plan
15. This type of assessment exercise is best-practise for any asset owner and is common in the property industry. Releasing capital from underperforming stock may also provide a portion of the funding Council requires for the second tranche of upgrade works.
16. It is important to note that the primary objective of the Framework is to improve the quality of the housing portfolio over time by recycling capital tied up in poorly matched and underperforming assets. It will not resolve the issue of the long term sustainability of City Housing's current business model, the review of which is underway.

Discussion

17. The City Housing Portfolio Assessment Framework (attached as Appendix 2) provides a set of principles and a decision making process that will ensure community confidence that Council will continue to improve its social housing asset.
18. The City Housing Portfolio Assessment Framework uses criteria drawn from well-established policy and operating guidelines, as well as standard property industry assessment criteria. The application of the Framework will ensure rigour in the process of aligning our portfolio, and reduce risk. The Framework also ensures that the Council has a standardised, objective approach for decision making related to the continuous improvement of the Council's social housing portfolio.
19. Including the City Housing Portfolio Assessment Framework in the draft 2015-25 Long-term plan allows the community the opportunity to consider and comment on the proposed approach to intensification, divestment and acquisition of social housing assets as well as creating an efficient decision-making process consistent with the Council's Committee structure.
20. The City Housing Assessment Framework consists of a Portfolio Assessment Matrix and a process for its application.
21. The Portfolio Assessment Matrix reflects the asset-related principles contained in the City Housing Asset Strategy and is split into Non-Financial and Financial sections. The Portfolio Assessment Matrix has been designed to assess any property type from a single standalone house through to a multi-unit site.

Assessment Framework Process

1. All assets in the City Housing portfolio will be assessed using the Portfolio Assessment Matrix. The score each asset achieves will be used as a guide (rather than an absolute) to decision making.

This process will identify three broad groups of assets:

- Assets to retain (and upgrade as necessary)
- Assets to retain and develop/intensify
- Assets for divestment

2. These groups of Assets will be managed in the following ways:
 - Assets for retention – will be confirmed as part of the portfolio and will be scheduled for renewal and upgrade as part of the City Housing Service Delivery Plan by 2027.
 - Assets for retention and development – will have a detailed property assessment carried out.
 - Assets for divestment – will have a detailed property assessment carried out.
3. If the detailed assessments show that Divestment or Development is not the desired approach then treatment of the asset will be re-assessed.
4. The results of all of these assessments will then be collated in tranches. City Housing will review each tranche to ensure that the proposed divestments and developments will create a balanced portfolio in terms of location and typology, and that bed numbers remain at approximately the same level. Properties identified for divestment in each tranche of assessments will be presented to the Community, Sport and Recreation Committee for approval.
5. If required, we will consider any acquisitions needed to balance the portfolio – these will have the same assessment methodology applied.

21. Under the Deed of Grant the Council is required to first offer properties nominated for divestment to Housing New Zealand Corporation and to reinvest any funds released by divestments in the social housing portfolio. Council is also bound by the offer-back obligations of the Public Works Act 1981.
22. Portfolio assessment is an iterative process – we intend that this Framework will be reviewed from time to time and the portfolio reassessed using any changed criteria, so that we continue to improve our portfolio.

Next Actions

23. Subject to the City Housing Assessment Framework being agreed by Committee, it is proposed that the Framework is explained in the 2015-25 Long-term plan and a decision-making process established and delegated. The reason for this is two-fold. First (as referred to above) it will allow for feedback on the proposed approach. Second, is that under the Local Government Act 2002, decisions to divest assets can

only be delegated to Committee if provision is made in the Council's long-term plan. This approach is recommended as it will provide for efficient decision-making by the Council and is consistent with the Council's Committee structure and delegation of responsibility to the subject based committees.

Conclusion

24. Council agreed to a number of asset principles for the development of *Shaping our Housing Future: Wellington City Housing Asset Strategy 2013-2033* in August 2013. The proposed City Housing Assessment Framework gives effect to those principles and will enable City Housing to objectively assess and compare properties in the current and potential future social housing portfolio, in order to meet our strategic objectives. This process will assist the Council in securing the financial sustainability of our social housing service.
25. Officers propose that the City Housing Assessment Framework be included in the draft 2015-25 Long-term Plan to allow appropriate consideration by and consultation with the community.
26. By including the City Housing Assessment Framework in the 2015-25 Long-term plan it is expected that divestment decision making can be delegated to Committee which will result in an efficient decision making process.

Attachments

- Attachment 1. SPC paper 1 August 2013
- Attachment 2. City Housing Portfolio Assessment Framework
- Attachment 3. Portfolio Assessment Matrix
- Attachment 4. Sample Assessments

Author	Peter Hunter, Business Services Manager
Authoriser	Greg Orchard, Chief Operating Officer

SUPPORTING INFORMATION

Consultation and Engagement

The proposed City Housing Assessment Framework has been work shopped with internal stakeholders. Consultation on the City Housing Assessment Framework will be undertaken through the 2015-25 Long-term plan process. We will engage with the tenant community once the City Housing Assessment Framework has been finalised and ready to implement.

Treaty of Waitangi considerations

There are no known implications.

Financial implications

The proposed City Housing Assessment Framework has been developed with input from Finance. The Deed of Grant with the Crown requires the reinvestment of the proceeds of sales in the social housing portfolio.

Policy and legislative implications

Under the 2008 *Deed of Grant for Wellington City Council's Social Housing*, Housing New Zealand Corporation has the first right of refusal in the event that Council disposes of any of its social housing units (captured under the Deed). As the housing portfolio is ring-fenced, any disposal proceeds will be reinvested into the portfolio. Council's legislative processes in relation to property disposals will be followed (including Public Works Act 1981 offerback obligations).

Risks / legal

It is noted that Social Housing is a Strategic asset under the Local Government Act 2002 and as such is listed in the Council's Significance Policy. Under LGA 2002 and the Council's Significance Policy, any decision to dispose of social housing assets must meet the provisions of section 97 of the LGA 2002 where the disposal will affect the Council's ability to maintain the Council's capacity to provide affordable housing as part of social housing policy. The City Housing Assessment Framework is specifically designed to maintain capacity of the Council's social housing portfolio and does not trigger the requirements of section 97. It is proposed that that provision is made in the 2015-25 Long-term plan for the City Housing Assessment Framework and delegation are made to the Community Sport and Recreation Committee in accordance with Clause 32(1)(c), schedule 7, LGA 2002.

Climate Change impact and considerations

There are no immediate impacts resulting from the adoption of this paper. Future intensification or acquisitions may provide opportunities to consider developing low-carbon housing assets, if it is a priority.

Communications Plan

A full communications plan will be developed during the 2015-25 Long-term plan consultation and prior to the City Housing Assessment Framework being implemented.

**STRATEGY AND POLICY
COMMITTEE**
1 AUGUST 2013



REPORT 3
(1215/52/IM)

CITY HOUSING WORK PROGRAMME 2013

1. Purpose of report

This report provides an update on the emerging sustainability issues facing social housing generally and the City Housing operation specifically.

Agreement is sought on:

- The timing and scope for a policy review to reassess eligibility, allocation and rental policies
- The high level principles and objectives of the newly developed Wellington City Housing Asset Strategy.

The future social housing work programme is also outlined.

2. Executive summary

City Housing provides social housing within the general context of low cost housing for those most disadvantaged in the housing market.

The affordability of housing has been an issue of concern for some time. These issues manifest themselves in terms of declining home ownership and cost challenges within the rental market.

Within the context of general housing affordability issues there is a growing need for social housing which provides low-cost rental accommodation for those most disadvantaged in the housing market.

Together Wellington City Council and HNZC own and control more than 97% of the social housing assets in the city.

Social housing need in Wellington city is projected to grow but there is no corresponding planned increase to social housing stock.

Housing affordability was a key issue for the Government in the May 2013 budget. A range of reforms were announced affecting land supply, consenting processes, bank lending and the delivery of social housing.

Prior to these reforms being announced Wellington City Council had already committed to a work programme to alleviate the various issues facing the housing market in Wellington.

This report is officer advice only. Refer to minutes of the meeting for decision.

This includes:

1. The development of a Wellington City Housing Strategy – focusing on increasing the supply of quality affordable housing. This work is to be reported back by the end of 2013.
2. Te Mahana: a draft strategy to end homelessness in Wellington by 2020
3. Report back on the various issues facing the city in its role as a social housing provider- briefing to Strategy and Policy Committee on 14th March. This report is to formalise this briefing.

The Wellington City Housing Strategy, to be reported later in the year, will look primarily at the broader affordable housing issues facing the city. It will include the issues canvassed in this report but will have a wider more strategic focus including Council's role as regulator and facilitator.

This report focuses exclusively on Wellington City Council's role as a provider of social housing.

The sustainability of the Council's social housing activity is an emerging issue. When the Crown-Wellington City Council social housing partnership was agreed, the deal looked to secure Council's social housing activity for the long term. A number of unforeseen events have conspired to erode the security that investment offered. While clearly an excellent foundation for the housing asset's future the combined impact of a global recession, the Christchurch earthquakes (with the flow on effect to insurance and construction costs), the increase to GST (with no compensatory increase to the Crown's financial contribution) and some unexpected construction challenges requires a re-examination of the housing business model in the areas of policy, assets, processes and partnerships.

The Arlington complex upgrade is a manifestation of these sustainability issues and will be reported separately.

This report provides an update on the refreshed work programme reported to Councillors in March 2013 and requires Strategy and Policy Committee approval for:

1. **Policy** – bringing forward the review of the social housing eligibility and rental policies from 2015 to 2013/14
2. **Assets** – confirmation of the principles, objectives and work streams as a result of work completed on the Asset Strategy.

The report also provides high level information on:

- the ongoing process improvements being implemented by City Housing to improve the efficiency and effectiveness of the unit
- the other work-streams underway.

This report is officer advice only. Refer to minutes of the meeting for decision.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information*
2. *Note the work programme being undertaken to improve the long-term sustainability of the City Housing operation including the following work streams:*
 - (a) *Policy*
 - (b) *Processes*
 - (c) *Assets*
 - (d) *Partnerships*
3. *Note that the Wellington City Housing Strategy will be reported back by the end of 2013.*
4. *Agree to the review of the social housing policy being brought forward to 2013-14 to enable alignment with Government policy changes, improve the overall financial sustainability of the portfolio and allow any budget changes to be included in the Annual Plan for 2014/15.*
5. *Agree that the social housing policy review will include:*
 - (a) *Confirmation of the vision, principles and objectives for social housing*
 - (b) *Eligibility criteria- who should be eligible for entry to Council's social housing*
 - (c) *Targeting criteria- what priority should different applicant groups be given*
 - (d) *Rental levels- rentals payable by tenants, and options for funding any subsidy.*
6. *Agree that officers should work with relevant Government officials on the policy review to ensure that the policy is aligned with the Government's social housing objectives, the Deed of Grant and that any options around accessing Government subsidies (Accommodation Supplement/Income Related Rents) are fully explored.*
7. *Agree "Shaping Our Housing Future, Wellington City Housing Asset Strategy" vision, purpose and principles as follows:*
 - (a) *Vision – To ensure the basic housing needs are met for people on low incomes who face barriers to accessing affordable and appropriate housing in the private sector and whose needs are not being met by other social housing providers. To achieve this the Council will provide:*
 - *Safe and secure housing of a good standard*
 - *Housing located in communities where people feel safe, have a sense of belonging and are proud to call home*

This report is officer advice only. Refer to minutes of the meeting for decision.

- *Support for Council tenants to improve their quality of life and to contribute to and benefit from living in Wellington.*
- (b) *Purpose – to give effect to the Council’s social housing vision by managing the Council’s housing asset in accordance with the following Council-approved objectives:*
 - *Provide for housing needs not met by other providers*
 - *Target low income households with particular needs*
 - *Focus City Housing’s service on those most in need of assistance*
 - *Enable and empower people to make changes in their lives*
 - *Work in partnership with external agencies to provide services to tenants*
 - *Operate as a successful business while recognising the social needs of tenants.*
- (c) *Contextual Principles*
 - *Commitment – Wellington City Council is committed to being a social housing provider at least until 2037. This allows us to take a long term view about asset management, particularly when planning new investment*
 - *Shared responsibility – City Housing is not solely responsible for addressing housing need in the city*
 - *Priority – Housing assistance will be targeted at those most in need of assistance*
 - *Equity – City Housing will respond to housing need equitably and efficiently*
 - *Positive transition – Housing assistance will be provided for only as long as it is needed and tenants will be enabled to make positive changes to their living environment when assistance is no longer required*
 - *Affordability – City Housing will be affordable to those targeted by its housing policy*
 - *Sustainability – the housing operation must be financially sustainable without additional support from ratepayers.*
- (d) *Asset related Principles*
 - *Location – Housing should be well located i.e. close to public transportation routes and essential services*
 - *Design – Housing should be maintained and renewed to contemporary, functional design standards in terms of access, aspect, security, use of space, health and safety, energy efficiency and use of materials*
 - *Stock matched to demand – City Housing should be able to respond to demand from different sized and type of households*
 - *Adaptability – Housing should be capable of responding to the needs of people with different cultural backgrounds, different physical abilities etc*

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- *Value retention – The Council's investment in housing should retain value over time.*

8. *Agree the City Housing Asset Strategy outcomes and 20 year goals as follows:*

	Outcome Area	20-Year Goal
1	Housing Alignment	Wellington city will have the right assets in the right place to deliver its housing mission
2	Housing Quality	Wellington city's housing asset will be fit for purpose and deliver modern levels of amenity
3	Resident Health and Wellbeing	The health and wellbeing of residents will be enhanced by the way we manage Wellington city's housing asset
4	Sustainability	Our stewardship of the housing asset will enable Wellington city to keep on providing social housing for the foreseeable future
5	Strong Sector Partnerships	Wellington city will be part of a vibrant and growing social housing sector that shares responsibility for social housing need

9. *Note the following City Housing projects that will be reported to Strategy and Policy Committee in the next 6-12 months;*
- Arlington Indicative Business Case*
 - Principles of Investment/Divestment in Social Housing*
 - Policy Review*
 - Arlington Business Case*

4. Background

4.1 Housing Affordability

Housing affordability has been an issue in New Zealand for some time. The Housing Affordability Enquiry completed by the New Zealand Productivity Commission in 2012 noted the increasing cost of housing, the way it disproportionately impacts people who are younger, single, have low incomes and are from an ethnic background other than New Zealand European. Housing affordability has led to increased demand for rental accommodation and pressure on social housing.

Wellington (along with Queenstown Lakes District and Auckland) experienced more increases where there were already expensive homes.

Within the context of general housing affordability issues there is a growing need for social housing which provides rental accommodation for those most disadvantaged in the housing market.

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Wellington City Council is the largest social housing provider within the city boundary (2238 units) with Housing New Zealand Corporation (HNZC) a close second having around 1900 units. Together Wellington City Council and HNZC own and control more than 97% of the social housing assets in the city.

Social housing need in Wellington city is projected to grow by around 40%¹ by 2021. Projections estimate that a total of 14,200 households will be in housing stress by then. Housing stress is defined as households paying more than 30% of their gross household income in housing costs.

There is no planned increase to social housing stock in this time period. City Housing is planning to retain approximately its current numbers in line with the Crown partnership and HNZC is targeting Auckland and Christchurch for investment. The non-government sector is targeted for growth by the Government in its recently announced housing reform package.

4.2 Budget announcements 2013

Housing affordability was a key issue for the Government in its May Budget. A number of Government reforms were included in the Budget reacting to high housing costs and a desire to “move from a State housing model to a social housing model” as stated by Hon Dr Nick Smith, Minister of Housing, when he introduced the Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Bill. The Government’s housing reform programme aims to tackle land supply, and costs around infrastructure, materials, compliance, skills and productivity. In the social housing area they are focussed on growing the social housing sector through support to community housing providers.

Housing affordability was a key issue for the Government in the May 2013 budget. Several reforms were announced including:

- Income Related Rent (IRR) subsidies extended to eligible community housing providers (\$26.6 million budgeted over 4 years)
- A new regulatory framework to be created
- Regular tenancy reviews for all state housing tenants and others receiving an income-related rent subsidy
- Assessment functions to be transferred from HNZC to the Ministry of Social Development (need for social housing, eligibility, eligibility for income-related rent, managing applications for social housing, referring and allocating prospective tenants to HNZC and community housing providers)
- Government intervention to boost land supply through the creation of special housing areas as part of Housing Accords developed between central government and local authorities
- New rules to control bank lending

These reforms are far reaching and are likely to have a long term impact on housing in New Zealand including the Council’s provision of social housing.

¹ DTZ Wellington City Council – Housing Need August 2009

They also represent an opportunity for Wellington City Council to advocate for both its own social housing interests and those of the social housing sector.

4.3 Wellington City Council

Prior to these reforms being announced Wellington City Council was already committed to undertaking further work that would contribute to its roles as a social housing provider, as a regulator and as a facilitator of affordable housing in the city. A Wellington City Housing Strategy for the city is due to be reported back before the end of 2013. The strategy is focussed on improving the supply of quality affordable housing in the city

The Strategy and Policy Committee have received a number of briefings and reports in the last six months including:

- a strategic approach to the city/region's housing market (16 May 2013 SPC paper)
- progress of the Housing Upgrade Project and the current City Housing business model (14 March 2013)
- Te Mahana: a draft strategy to end homelessness in Wellington by 2020
- A submission on the Social Housing Reform(Housing Restructuring and Tenancy Matters Amendment) Bill (20 June 2013)

4.4 City Housing

At the 14th March briefing on the City Housing work programme councillors were given an update on the Housing Upgrade Programme and advised that a number of unforeseen events have had an impact on the financial sustainability of the operation and a potential impact on the programme of works. These include the increase of GST with no compensatory increase to the Crown's financial contribution, the global financial crisis and the flow on increases from the Christchurch earthquakes and rebuild including a 300% increase in portfolio insurance costs. There have also been some unexpected construction challenges as the construction Housing Upgrade Programme is progressed.

As a result of these challenges it was agreed that City Housing would report back to the Strategy and Policy Committee on the work programme to meet the sustainability challenge.

5. Challenges facing City Housing

The partnership with the Crown represents a \$220 million dollar Government investment into capital works to upgrade the portfolio to a modern standard. Some funding was also provided for the Community Action Programme – a programme to improve the social cohesion amongst the tenant communities.

The rationale for the Crown partnership was two-fold:

1. the unique nature of the portfolio – high rise complexes centrally located that brought a number of earthquake prone and other challenges that would be unaffordable for ratepayers or current cash flow to afford

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2. the highly targeted nature of the Council's eligibility criteria which effectively replicates the Housing New Zealand targeting regime. If Wellington city had chosen to divest itself in whole or part from its social housing because of affordability reasons, the demand for low cost housing in Wellington would grow by up to 2,200 households

The cash injection for upgrades allowed the Council to meet its obligations around health and safety and and make a long term commitment to its social housing operation. However the sustainability challenge is still alive. The original 2008 work programme was to upgrade between 80-90% of the portfolio over the next 20 years. Operating cost increases will compromise this work programme and are likely to result in some trade-offs on cost, quality and/or bed numbers unless action is taken and solutions found. Any changes will have to be negotiated (once approved) with the Crown to ensure that the Deed of Grant conditions are maintained.

These challenges are driven by the unexpected cost increases impacting on the upgrade programme specifically and the operation more generally.

One of the levers available to the Council to manage costs is its policy settings especially around rentals.

6. City Housing Work programme

The City Housing Work Programme has been reported to councillors previously. It is captured in the diagram below and has been developed to meet the challenges facing City Housing.

City Housing Work programme			
Policy	Processes	Assets	Partnerships
Review policy settings on: <ul style="list-style-type: none"> • vision, principles & objectives • eligibility • targeting • rental 	Review of: <ul style="list-style-type: none"> • Tenancy management practices • Community Action Programme and Engagement • Insurance 	Asset Strategy including: <ul style="list-style-type: none"> • Portfolio Analysis • Minimum housing standard • Investment/Divestment plan • Arlington Business Case • Development of HUP 2013-23 Review of maintenance contract and renewal programme Maintenance and Renewal Strategy	Crown(maintain and develop) <ul style="list-style-type: none"> • MBIE/Treasury for HUP programme • HNZC /MSD for operational issues Tenancy and Community Action partnerships (review and expand) Sector partnerships and initiatives Explore the possibility of public /private partnerships

This report is officer advice only. Refer to minutes of the meeting for decision.

6.1. Policy Review

The emerging issue of sustainability means that City Housing is reassessing the options to improve the long term viability of the portfolio. Income is obviously one available lever.

It is estimated that around \$8.5 million rental income is foregone annually because of the current rental policy. With the Government considering the extension of Income Related Rent (IRR) subsidies to community housing providers, it is timely for the Council to consider its own rental income.

An indicative assessment of three possible rental subsidy options and their impact on the Crown, the Council and the tenant household is set out in the table below.

Policy Setting	Cost to occupants (98% of 2252 units)	Foregone Council Revenue	Accommodation Supplement (cost to the Crown)	Income Related Rent (cost to the Crown if available)	Full market rent – 2013 rates
Current (rent set at 70% of market with a 35% cap on rent to income)	\$13.8 million	\$8.5 million	\$7.7 million	\$0	\$30 million
Rent set at market	\$16.1 million	\$0	\$13.9 million	\$0	\$30 million
Rent set at 25% of household income – WCC able to access IRR	\$9.2 million	\$0	\$0	\$20.8 million	\$30 million

Any policy review would need to be more fine-grained in its analysis than this simple table. It is clear however that there are some further options available to the Council other than the status quo. Currently the third option listed is not available to the Council as income related rent only applies to HNZC with a suggested expansion to community housing providers. The Government is currently considering legislation around community social housing provision so it is useful for the Council to align its own review programme with the reform package being progressed by the Government.

Any review will include the relevant Crown agencies, tenants and other stakeholders. It will need to consider both the financial sustainability issues for the Council and the affordability issues for tenants to ensure that the service is both sustainable and continues to meet its housing objectives.

It is recommended that this review should take place over the next few months with a report to be scheduled in time for any budget impacts to be included in the Annual Plan for 2014/15 once consultation is complete.

6.2. Processes

Tenancy and Community Action Reviews

A review of the tenancy operation is scheduled for the second quarter of 2013/14. This review will look at the current tenancy processes with a view to further streamlining them for both customer focus and operational efficiency. It is intended to use other social housing providers in Australasia for

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benchmarking purposes. At the same time the Community Action Programme will also use bench-marking and qualitative evaluation to assess its impact and effectiveness.

Insurance Review

The costs to insure the social housing portfolio for full replacement have risen from \$600,000 in 2011 to \$1.7 million for 2013/14. This increase was driven by a combination of the global financial crisis and the Christchurch earthquake. The ring fencing of City Housing means these increased costs must be absorbed within the City Housing budgets.

We have done several reviews of insurance options for the social housing portfolio over the last few years. There is very little willingness to assume risk in the insurance market and the options for Council housing are limited. Lowering the cover (i.e. not covering full replacement) was considered as an option but the cost savings were minimal and not considered acceptable for the increased risk for Council. For example, for a reduction in cover from \$505 million to \$350 million the possible cost savings were only \$50k.

In addition the Housing Upgrade Project is adding value to its portfolio. It has increased in value from \$410m to \$505m replacement value over the last 3 years. This affects insurance costs. Officers will continue to assess insurance options on an annual basis.

6.3. Assets

The draft City Housing Asset Strategy 2012-32 is appended. It has been developed to ensure that City Housing asset management programmes are based on a sound understanding of the Unit's role and of forces that will shape demand over the next 20 years. It builds on the Housing Asset Reconfiguration Strategy (HARS) adopted in 2002. HARS was the Council's first formal strategic approach to its housing portfolio. It provides the first long term and systematic approach to building a sustainable portfolio with a focus on demand projections, portfolio configuration, minimum amenity levels, fitness for purpose, tenant needs and sector issues.

The draft strategy articulates the vision, principles and objectives for the housing asset and proposes five outcome areas and 20 year strategic goals as follows:

	Outcome Area	20-Year Goal
1	Housing Alignment	Wellington city will have the right assets in the right place to deliver its housing mission
2	Housing Quality	Wellington city's housing asset will be fit for purpose and deliver modern levels of amenity
3	Resident Health and Wellbeing	The health and wellbeing of residents will be enhanced by the way we manage Wellington city's housing asset

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4	Sustainability	Our stewardship of the housing asset will enable Wellington city to keep on providing social housing for the foreseeable future
5	Strong Sector Partnerships	Wellington city will be part of a vibrant and growing social housing sector that shares responsibility for social housing need

City Housing is working with the existing asset management expertise in side the Council to improve its asset management practices around asset planning frameworks and lifecycle management, asset information management, condition and performance assessment, demand and demand management and capital project decision-making.

The Asset Strategy is the first step in the drive for asset improvement. It has an ambitious but achievable work programme attached. Associated projects will be reported back to the Strategy and Policy Committee over the next year. These decisions will include:

1. The Investment/Divestment Plan – general approach, principles and processes.
2. The Arlington Business Case – the Arlington Complex was originally only going to be partially upgraded. As further scoping work has been completed on the site, it is clear that there are larger issues that have not been budgeted for in the current Housing Upgrade programme. Some work is underway to develop options for the site. These will be reported back when the work is completed
3. Investment in asset management information practices.

6.4. Partnerships

Wellington City Council is developing a broad range of partnerships to inform the challenge it faces around affordable housing. City Housing has a more confined role around the provision of social housing. In this operational context the principal partnership with central Government in the social housing area is via Treasury who currently monitor the Housing Upgrade Programme grant funding. The Ministry of Building Innovation and Employment advise the Government on housing sector issues and City Housing maintains a relationship with them.

There are a number of initiatives within the Government's housing reform programme that offer some opportunities for working more closely together with government agencies. For example the Housing Warrant of Fitness announced recently is intended firstly for HNZC stock with the intention that it will be a requirement for community housing providers accessing income related rents. The details of how this will be assessed, administered and enforced will be developed by a multi-agency Rental Housing Standards Forum. Given the work underway within the City Housing portfolio there is an opportunity to add value by working together.

City Housing works closely but informally with Housing New Zealand Corporation at an operational level and with around 80% of tenants receiving

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some benefit support City Housing staff are in regular contact with the Ministry of Social Development.

The community housing sector in Wellington is small but City Housing continues to participate and support the sector in a variety of ways.

The current social housing providers within the city largely operate independently. People with housing needs have to apply to multiple agencies which may be stressful and difficult to understand and may mask the real level of housing need. Partnerships with HNZC and third sector providers will improve the housing options of Wellingtonians.

There are also further opportunities for partnerships with non-housing agencies that provide support to tenants. There are partnerships with the following agencies:

- Downtown Community Ministry around homelessness issues
- two separate health providers operating clinics at Central Park and Newtown Park complexes
- Ministry of Education and Plunket playgroups.

There are also a wide range of services offered through the Community Action Programme in partnership with community agencies.

City Housing intends to review its social partnership programme. There may also be some opportunities that fall out of the Wellington City Housing Strategy that could be included in this review.

7. Discussion

7.1 Consultation and Engagement

Consultation and engagement is not planned or appropriate at the input asset strategy level.

WCC Housing Strategy, Policy, Planning Framework	Public Participation/Engagement – IAP2 spectrum
City Strategy - <i>Wellington Towards 2040: Smart Capital</i>	Consult. Consultation completed in 2012 at high level.
Long Term Plan 2012-22	Consult. Consultation completed at high level and long term budget.
Wellington City Housing Strategy	Involve and Consult. Consultation will be undertaken once the draft strategy has been to SPC (end 2013)
Housing Policy Review	Consult. Consultation will be undertaken with tenants, stakeholders and public.

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Input work-streams	
• Asset Strategy	Inform. Summary information provided.
• Tenancy Management	No engagement planned but feedback sought on practice through annual tenant survey and benchmarking for best practice.
• Partnership Programme	Inform. Summary information provided. Collaborate At individual partner and sector level.
HUP Projects	Collaborate. Each major project has an individual engagement plan.

7.2 Financial considerations

The cost of this work programme is within the “business as usual” budget for City Housing. Any projected budget variances will be reported separately to Strategy and Policy Committee for stand-alone decisions. These issues include the policy review, Arlington Business Case and work on the investment /divestment principles, processes and associated decisions.

7.3 Climate change impacts and considerations

Climate change impacts have not been assessed at this point although some of the initiatives should have a positive effect in this area.

7.4 Long-term Plan/Annual Plan considerations

Budget impacts are ring-fenced within the City Housing operation. Any changes will be integrated into the Annual Plan for 2014/15.

8. Conclusion

City Housing is facing some significant challenges to achieve sustainability for its social housing role. This report outlines the work programme that is designed to meet these challenges including the Asset Strategy and associated work programme and proposes a review of the social housing policy settings to achieve more sustainable rental streams.

The Government’s Budget 2013 housing announcements offer an opportunity for the Council to take a proactive role while legislation is being considered around community and social housing providers.

Contact Officer: *Vicki McLaren – Manager, Housing*

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SUPPORTING INFORMATION	
1) Strategic fit / Strategic outcome	<i>The work programme outlined in this paper supports Council's overall vision of Wellington Towards 2040: Smart Capital. The policy supports Council activities as a social housing provider.</i>
2) LTP/Annual Plan reference and long term financial impact	<i>5.2.5 Housing is part of the Community Support activity in the Annual Plan 2013-14. This programme of work will have financial impacts as different elements are implemented.</i>
3) Treaty of Waitangi considerations	<i>There are no Treaty of Waitangi implications for the work programme as outlined. Mana whenua partners will be advised as different work streams are developed.</i>
4) Decision-making	<i>The decisions in this paper are not significant decisions</i>
5) Consultation	
a) General consultation	<i>No consultation on the Asset Strategy but the different work streams will require consultation as they are progressed</i>
b) Consultation with Maori	<i>No consultation with Maori is required at this stage but the different work streams will require consultation as they are progressed</i>
6) Legal implications	<i>There are no legal implications of this report.</i>
7) Consistency with existing policy	<i>This report is consistent with current policies. The work streams outlined within this report are aimed at improving financial sustainability and operational efficiency and effectiveness.</i>

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SHAPING OUR HOUSING FUTURE CITY HOUSING ASSET STRATEGY 2013-2033

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1 EXECUTIVE SUMMARY

The aim of the SHAPING OUR HOUSING FUTURE, *City Housing Asset Strategy 2013-2033* is to ensure that City Housing's asset management programmes are based on a sound understanding of our housing role and of the forces that will shape demand for social housing in Wellington over the next 20 years.

The strategy is divided into five sections:

1. Outlines the Housing Asset Strategy and explains how it connects to other planning elements inside and outside the Wellington City Council.
2. Contains a discussion on City Housing's 'foundation stones'. These are five documents that set out Wellington City Council's vision for housing, its housing policies and asset management procedures.
3. Provides context and commentary on City Housing's current asset performance. It describes where we fit in the social housing market and discusses emerging social housing trends.
4. Looks at the challenges City Housing is likely to face over the strategy period and how these could affect current plans for the housing asset.
5. Sets out City Housing's recommended response to these challenges.

Our strategic response is organised around five housing outcome areas, which are themselves derived from the city's social housing vision and policies. Each outcome area has been translated into a long-term goal that reflects where we hope to be by the end of the 20 year strategy as reflected below.

Outcome Area		20-Year Goal
1	Housing Alignment	Wellington city will have the right assets in the right place to deliver its housing mission
2	Housing Quality	Wellington city's housing asset will be fit for purpose and deliver modern levels of amenity
3	Resident Health and Wellbeing	The health and wellbeing of residents will be enhanced by the way we manage City Housing's asset
4	Sustainability	Our stewardship of the housing asset will enable Wellington city to keep on providing social housing for the foreseeable future
5	Strong Sector Partnerships	Wellington city will be part of a vibrant and growing social housing sector that shares responsibility for social housing need

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For each goal, we have identified four or five 10-year strategic objectives with priorities for action over the next three years. These will be incorporated into City Housing's one and three year asset management plans and updated regularly as we chart our progress towards becoming one of Australasia's best public housing managers.

Outcome Area 1 : Housing Alignment		
Our Goal	10 Year Strategic Objectives	Priorities over the next 3 years
City Housing will have the right assets in the right place to deliver its housing mission	1.1 Ensure that all investment decisions are based on robust assessments of feasibility and housing need	1.1.1 Update data in the housing needs assessment framework when the 2013 census information is available and continue to monitor trends
		1.1.2 Finalise City Housing's financial assessment tool and apply to all upcoming projects by end 2012
	1.2 Reposition Wellington city's housing existing assets to better meet current and future housing demand	1.2.1 Achieve annual Housing Upgrade Programme (HUP) targets 2013-18
	1.3 Recycle capital tied up in poorly-matched and underperforming housing assets	1.3.1 Develop and gain approval for a disposal strategy that targets poor performing assets by end December 2013
		1.3.2 Initiate disposal programme in 2013/14
	1.4 Adjust the size and mix of Wellington city's housing portfolio as required to meet the city's share of future housing need	1.4.1 Meet all of Wellington city's responsibilities arising from its social housing agreement with the Crown
		1.4.2 Explore new capital funding and other opportunities for Wellington city and its housing partners to grow the quantum of social housing

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Outcome Area 2 : Housing Quality		
Our Goal	10-Year Strategic Objectives	Priorities over the next 3 years
Wellington city's housing asset will be fit for purpose and deliver modern levels of amenity	2.1 Ensure that Wellington city's housing assets comply with national and local seismic, fire safety and other building standards	2.1.1 Ensure compliance with relevant national and local statutory requirements at all times
		2.1.2 Achieve planned 5-year seismic strengthening targets
	2.2 Regularly upgrade Wellington city's housing assets to provide an appropriate level of contemporary amenity	2.2.1 Introduce the City Housing <i>Modern Housing Standard</i> by mid 2013
		2.2.2 Continue to implement a life-cycle approach to asset management by 2013/14
	2.3 Ensure that Wellington city's housing assets are well maintained at all times	2.3.1 Finalise the City Housing <i>Property Condition Standard</i> by end 2013
		2.3.2 Develop and implement minimum service levels for planned and responsive maintenance based on this standard by mid-2013
	2.4 Contribute positively to residents' health and wellbeing by helping them to reduce heating and other household costs	2.4.1 Develop a strategy by the end of 2013 for improving thermal comfort and energy efficiency in all units over the next 7 years.

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Outcome Area 3 : Resident Health and Wellbeing		
Our Goal	10-Year Strategic Objectives	Priorities over the next 3 years
The health and wellbeing of residents will be enhanced by the way we manage Wellington city's housing asset	3.1 Provide a safe and secure living environment for all residents	3.1.1 All City Housing sites will be assessed against CPTED design guidelines by 2016
		3.1.2 Continue to improve the effectiveness of CH's emergency management procedures by increasing tenant participation in fire safety and evacuation exercises, and upgrading safety systems
	3.2 Empower and enable tenants to participate in decisions about the future of Wellington city's housing asset, and make positive decisions about their own future housing choices	3.2.1 Investigate the benefits of positive incentives for tenants who no longer need our help to move to other housing or residential care
		3.2.2 In line with City Housing's tenant participation policy, resident views will be sought and taken into account when major asset-related decisions are made
	3.3 Ensure that enough accessible housing units are available for residents and priority applicants with age-related or other disabilities	3.3.1 At least 5% of Wellington city's new build housing will meet national accessibility criteria
		3.3.2 All new-build housing will meet 'universal design' standards for new construction
	3.4 Through good asset management, help tenants to stay part of their chosen community as they age or their health circumstances change	3.4.1 Modify properties as required, including helping tenants to apply for disability modification funding support.
		3.4.1 Work with our social services partners to deliver wrap-around health and other services for older and other priority residents

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Outcome Area 4 : Sustainability		
Our Goal	10 Year Strategic Objectives	Priorities over the next 3 years
Our stewardship of the housing asset will enable Wellington city to keep on providing social housing for the foreseeable future	4.1 Deliver an operating surplus every year	4.1.1 Use the surplus to reduce debt and/or fund housing renewal activity.
	4.2 Maximise rental cash flows by keeping occupancy levels high and tenant debt low	4.2.1 Achieve all asset-related performance targets in respect of vacant properties – stretch targets are in place.
		4.2.2 Minimise rental arrears and other tenant liabilities in line with planned targets — stretch targets are in place.
	4.3 Protect and enhance the investment value of Wellington city's housing asset	4.3.1 Ensure that Wellington city's housing upgrade and other renewal programmes has a measurable and positive impact on asset value over the period.
		4.4.1 By end 2013, introduce a 'social return on investment' measure (SROI) based on international benchmarks.
	4.4 Protect and enhance the social housing value of Wellington city's housing asset	4.5.1 City Housing's asset management systems will reflect Australasian best practice.
		4.5.2 Wellington city's procurement processes for assets will deliver the required standard at an optimal price.
	4.5 Be regarded by our peers as one of Australasia's best social housing asset managers	

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Outcome Area 5 : Strong Social Housing Partnerships		
Our Goal	10-Year Strategic Objectives	Priorities over the next 3 years
Wellington city will be part of a vibrant and growing social housing sector that shares responsibility for addressing housing need	5.1 Reduce pressure on Wellington city's housing assets by helping other providers to grow their social housing capacity	5.1.1 Support the growth aspirations of Wellington city's social housing partners
		5.1.2 Provide practical support to social housing partners through, for instance, skills transfer and asset management systems support
	5.2 Improve the effectiveness of the social housing sector by reducing duplication and promoting greater role clarity	5.2.1 Liaise with HNZC and other social housing providers to ensure that changes to City Housing's assets complement those planned by other agencies
		5.2.2 Initiate discussions with Ministry of Social Development, HNZC and other social housing providers with a view to improving access to social housing by end 2015
	5.3 Improve opportunities for social housing consumers to find affordable housing in the private sector	5.3.1 Work in partnership with regional housing providers to develop housing pathway options for City Housing tenants
	5.4 Take a regional view of social housing need and how to solve it	5.4.1 Participate in the development of a Wellington City Affordable Housing Strategy by 2014
		5.4.2 Work with government agencies and other local authorities in the region, to ensure a comprehensive assessment of housing need in the wider Wellington region is undertaken as data from the 2013 census becomes available.
	5.5 Work with our partners to eliminate homelessness in Wellington	5.5.1 Maintain support for the Downtown Community Mission, Project Margin and other homelessness initiatives (refer Te Mahana: a strategy to end homelessness in Wellington by 2020).

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2. INTRODUCTION

The aim of SHAPING OUR HOUSING FUTURE, *City Housing Asset Strategy 2013-2033* is to ensure that City Housing's asset management programmes are based on a sound understanding of our housing role and of the forces that will shape future demand for social housing in Wellington.

2.1 Why do we need a Housing Asset Strategy?

A Housing Asset Strategy is an essential first step in the *strategic asset management process*, which is broadly defined as "...the activity that ensures the asset base of an organisation is properly aligned to its corporate goals and objectives."¹ Strategic Asset Management has been adopted by public housing agencies around the world and is generally regarded as 'best practice' when it comes to longer-term asset planning.

In the Wellington context, a housing asset strategy can help us to answer the following questions:

- What is Wellington city seeking to achieve by owning housing assets?
- Why do we own the housing assets that we do?
- How effective are our housing assets in addressing housing need?
- What adjustments to our asset mix and asset management practices do we need to make to ensure that City Housing remains an effective social housing provider over the next 20 years?

2.2 What is in this Housing Asset Strategy?

The strategy consists of five sections.

1. Outlines the City Housing Asset Strategy and explains how it connects to other planning elements inside and outside the Wellington City Council.
2. Contains a discussion on City Housing's 'foundation stones'. These four documents' set out the Council's vision for housing, its housing policies, and current direction in respect of asset management.
3. Provides context, and includes commentary on City Housing's current asset performance, where we fit in the social housing marketplace, and emerging social housing trends.
4. Looks at the challenges City Housing is likely to face over the strategy period, and how these could affect current plans for the housing asset.
5. Sets out City Housing's recommended response to these challenges. 22 medium term strategic objectives are proposed, spread over five housing outcome areas.

¹ From RICS Public Sector Asset Management Guidelines, cited in *Building on Strong Foundations – A Framework for Local Authority Asset Management*, Department for Communities and Local Government, UK, February 2008 p8

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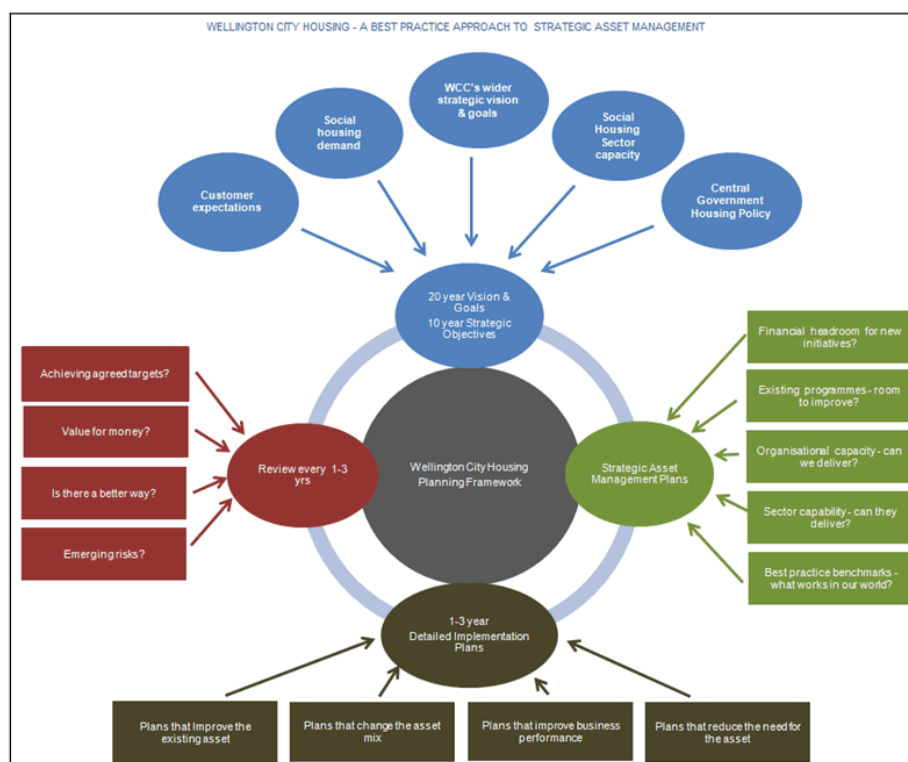
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Each of the 10 year objectives includes recommendations on what needs to happen over the next three years to stay in touch with our long-term goals. The "priorities for action" will be incorporated into City Housing's three year and annual asset management plans and business plan.

2.3 How does the Asset Strategy fit with our other plans?

This strategy is part of an ongoing effort by City Housing to improve the way we plan and deliver our housing services. We have developed an asset planning hierarchy that is consistent with Wellington city's generic strategic planning and asset management processes, but also ensures that our planning is informed by what is happening in the wider social housing sector.

The figure below illustrates our thinking on planning for housing. In summary, the City Housing Asset Strategy sets the scene for detailed three year strategic asset management plans, which are themselves the basis for detailed annual implementation plans.



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3. WELLINGTON CITY HOUSING VISION AND PURPOSE

In this section we discuss City Housing's vision and purpose, and how the city's housing operation is connected to wider city strategies.

3.1 Foundation Stones

Five Council documents set the platform for this *City Housing Asset Strategy*:

Wellington Towards 2040: Smart Capital

Wellington Towards 2040: Smart Capital sets out the future for Wellington city – a vision that builds on the city's existing strengths – such as its natural beauty, vibrancy, compactness, close-knit communities and great people.

The strategy outlines a collaborative way of working to achieve a city that is:

- **People centred** – a healthy, vibrant affordable and resilient city
- **Connected** – a city with physical, virtual and social networks that link people with places, ideas and each other
- **Eco City** – an environmental leader for a clean and green New Zealand
- Has a **Dynamic Central City** that is vibrant, creative innovative and drives the region's economy

Achieving this vision is the responsibility of all parts of the Council including City Housing.

Wellington City Long Term Plan

The Long Term Plan sets out the Council's long-term vision for Wellington city over the next ten years, and the supporting plans and budgets to achieve that vision.

The plan includes broad statements of principle that apply to all Council activities, as well as explicit targets and performance standards for housing as a discrete output within the Social and Recreation activity area.

In particular, the latest Long Term Plan (2012-22) restates Wellington City's longstanding commitment to "...providing a stable platform from which some 3,500 Wellingtonians can improve their wellbeing and contribute and benefit from living in Wellington."² The Long Term Plan also specifies at a high-level how the asset should be managed. For instance:

- Priority given to targeted sub-groups
- Sub-market rental pricing
- Operating surpluses to be ring-fenced for reinvestment in housing
- Minimum housing standards aimed at improving energy efficiency and ensuring that housing is "... of a good standard for modern living"³.
- Responsibility for social housing response to be shared with other agencies
- Improving community outcomes through good asset management

² Ref. Wellington City Council Long Term Plan 2012-22 p84

³ *ibid*

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Policy for Wellington City Council's Social Housing Service (May 2010)

The document provides a set of policy statements covering both asset and tenancy management matters. Also included is a more structured vision for the City Housing business unit, complete with purpose statement, high-level objectives and principles to guide housing management activity. The policy is reviewable every five years.

Housing Asset Reconfiguration Strategy (HARS)

This strategy was originally adopted by the Council in 2002, and has been the conceptual basis for subsequent asset planning to support the *Housing Upgrade Project*. HARS was based on the proposition that much of Wellington City Council's housing stock was no longer fit for purpose.

Bed-sit accommodation predominated, the smallest of which are too small and basic to meet modern living requirements but are affordable for single tenants.

In addition, many complexes had significant structural and deferred maintenance issues that could only be addressed through a comprehensive renewal programme.

HARS also introduced a more strategic approach to asset planning than previously used by the Council, including a set of asset-specific principles and objectives, and the city's first attempt to define what levels of functionality and fit out would deliver a *Modern Housing Standard*.

Deed of Grant (2007)

The Deed of Grant was agreed by the Crown and Wellington City Council in mid-2007. The Deed outlines a 20-year housing upgrade programme valued at \$400 million, the cost of which (up to \$220 million) will be substantially met by the Crown over the first 10 years. In return, Wellington City Council has committed to remain in social housing at approximately the same levels until June 2037 and ring-fence all income from its social housing activity for reinvestment back into the asset. The Council's objectives in signing the deed are:

- To ensure the long term provision of social housing
- To enable the City Housing business unit to provide safe and secure housing to an appropriate modern standard; and
- To ensure the on-going financial sustainability of the social housing portfolio.

The *Housing Upgrade Programme 2008-2029* was developed at the programme's initiation. It is a high level project plan that outlines how the Crown's contribution will be spent over the first 10 years on upgrading the major complexes and stand-alone housing.

3.2 Wellington City Council's Vision for Housing

Wellington city's overall housing vision is taken from the *Long-Term Plan*, in particular the aspiration for Wellingtonians to live in '...a *people centred city*

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*made up healthy, vibrant, affordable and resilient communities, with a strong sense of identity and 'place'*⁴

The city's contribution towards these outcomes includes the provision of 'accessible and affordable services'⁵ such as housing. Such services are not Wellington City Council's responsibility alone however, and the *Long Term Plan* makes explicit reference to working in partnership with the Crown and others to achieve its community outcomes.

3.3 Wellington City Council's Social Housing Vision

The Council's social housing vision is closely aligned to its overall housing vision. The version below is derived from the current *Long Term Plan* and earlier 2010 housing policy statement.

'To ensure the basic housing needs are met for people on low incomes who face barriers to accessing affordable and appropriate housing in the private sector, and whose needs are not being met by other social housing providers. To achieve this Council will provide:

- *safe and secure housing of a good standard*
- *housing located in communities where people feel safe, have a sense of belonging and are proud to call home*
- *support for Council tenants to improve their quality of life and to contribute to and benefit from living in Wellington*⁶

3.4 City Housing Role and Purpose

The City Housing's role and purpose is drawn from the Council's social housing vision, and expressed somewhat differently in each of the four foundation documents. For the purposes of this strategy we have adopted a composite.

*The purpose of City Housing is to give effect to the Council's social housing vision by managing the Council's housing asset in accordance with the following Council-approved objectives*⁷:

- *Provide for housing needs not met by other providers*
- *Target low-income households with particular needs*
- *Focus City Housing's service on those most in need of assistance*
- *Enable and empower people, where possible, to make changes in their lives*
- *Work in partnership with agencies already involved in providing services to tenants and to avoid duplicating services currently being delivered*
- *Operate as a successful business while recognising the social needs of tenants*⁸

In addition to these objectives, the foundation documents contain a raft of principles intended to guide City Housing's management approach.

⁴ Composite from WCC Long Term Plan 2012-22 p7

⁵ Ibid p8

⁶ WCC Long Term Plan 2012-22 p83/4, WCC social housing service policy statement p2/3

⁷ Originally approved by Council in 2000 and included in the 2011-12 WCH Business Plan

⁸ Cited in *City Housing Business Plan 2011/12*

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Contextual principles

Commitment	Wellington City Council is committed to being a social housing provider until at least 2037. This allows us to take a long term view about asset management, particularly when planning new investment
Shared responsibility	City Housing is not solely responsible for addressing housing need in the city
Priority	Housing assistance should be targeted at those most in need of assistance
Equity	City Housing will respond to housing need equitably and efficiently
Positive Transition	Housing assistance will be provided only for as long as it is needed, and tenants will be enabled to make positive changes to their living environment when assistance is no longer required
Affordability	Wellington City Council housing will be affordable to those targeted by its housing policy
Sustainability	The housing operation must be financially sustainable without additional support from ratepayers

Asset-related principles

Location	Housing should be well located i.e. close to public transportation routes and essential services such as shops, schools and essential social services
Design	Housing should be maintained and renewed to contemporary, functional design standards in terms of access, aspect, security, use of space, health and safety, energy efficiency and use of materials
Stock matched to demand	City Housing should be able to respond to demand from different sized and type of households
Adaptability	Housing should be capable of responding to the needs of people with different cultural backgrounds, disabled people etc
Value retention	The Council's investment in housing should retain value over time

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4. CONTEXT

In this section we take a closer look at Wellington city's housing asset, its history, and where it fits within the social housing sector and the wider rental housing marketplace. The city map over the page identifies the spread of City Housing's current housing asset.

4.1 A Brief History of Wellington City Council Social Housing

Wellington City Council has been a social housing provider for more than 50 years, beginning with a modest pensioner housing programme in the 1950's. The city's involvement in housing accelerated during the 1960s and 70s, fuelled by the availability of low-interest loans from central government for urban renewal and older peoples housing.

The bulk of Council-owned housing close to the city is compressed into urban regeneration areas of that era, including Mt Cook, Te Aro and Central Park. The Council's high-rise housing was originally intended to cater for working singles (predominantly male), who were poorly-served by the private rental market at that time. Adjacent townhouse developments were targeted at low-income working families.

Most of the city's pensioner housing stock was also built over this period, funded by Crown loans and grants that had largely disappeared by the end of the 1970s. Under an agreement between central and local government, local authorities were expected to be the nation's primary providers of housing for low-income older people, while central government focused on generic affordability-related housing need.

The results of this agreement can be seen in suburban areas like Johnsonville, Kilbirnie and Miramar, where the Council owns mixed occupancy and dedicated pensioner complexes comprising anywhere between 20 and 100 bed-sits. By contrast, state housing built over the same period was mostly two and three bedroom housing concentrated in Wellington's northern suburbs, or in expansion areas near the city's original state housing precincts in Newtown, Strathmore and Miramar.

A third significant contributor to City Housing's current portfolio is former Council worker accommodation. In Miramar and Karori, for instance, several small complexes originally built for city transport workers and their families are now used for social housing purposes.

There has been very little new housing activity since the late 1970s, so the form and distribution of Wellington city's housing units remains substantially based on Council policies and priorities of the mid 20th century. In particular:

- The housing stock is dominated by bedsits and one bedroom units, which still make up about 70% of all housing stock
- The size and amenity levels of many units are well below modern housing standards
- The distribution of housing stock is largely based on former uses

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City Housing has struggled to build up significant capital reserves to cover upgrades and maintenance.

This is changing, however, as a result of the *Housing Upgrade Programme*.

The Crown is contributing \$220 million to the programme, in exchange for Wellington city's agreement to stay in social housing until at least 2037, and maintain social housing to approximately the 2007 level of provision. In total, at least \$400 million will be invested in stock upgrades and replacement over a 20 year period.

The current HUP work programme suggests there will be an overall reduction of about 125 units but a gain of around 119 beds as a result of reconfiguration from smaller units to larger sized ones.

Table 4.1.1: *Housing Upgrade Programme – Portfolio Impacts*

Pre-HUP Configuration	Pre-HUP units	Pre-HUP beds	2008 work programme - units	2008 HUP work programme - beds	2013 HUP work programme - units*	2013 HUP work programme - beds*
Bedsit	960	960	619	619	687	687
1 bedroom	715	1430	806	1612	844	1688
2 bedroom	401	1604	430	1720	405	1620
3 bedroom	237	1422	246	1476	238	1428
4 bedroom	30	240	35	280	45	360
5 bedroom	9	90	8	80	7	70
6 bedroom	2	24	2	24	3	36
Total	2354 units	5770 beds	2146 units	5811 beds	2229 units	5889 beds
Variance against pre-HUP configuration			-4%	1%	-2%	2%

* These figures assume that when Arlington is upgraded it will be with the same number of beds (800). If this assumption changes after the business case is considered then there may be an overall portfolio reduction in bed numbers.

The first 10 years of the *Housing Upgrade Programme* is focused on earthquake prone sites (largely the multi-storey blocks). The programme also converts about 28% of all bedsits into one bedroom units, improves insulation, ventilation and heating and creates spaces more suited for modern living.

While the form and location of new housing to be delivered through the *Housing Upgrade Programme* has largely been determined for the first 10 years, there may be scope to change the mix of housing types, and possibly move into new communities in later years. There is, however, no likelihood of growing the portfolio beyond 2007 levels without new funding or changing the business model through which Wellington city manages its housing assets.

4.2 City Housing Today

In July 2013, Wellington city's housing asset comprises 2,238 units, of which 1,954 are occupied. Most of the balance has been removed from circulation to be reconfigured and/or upgraded as part of the *Housing Upgrade Programme*. The table below looks at the distribution of housing stock amongst the Capital's seven main catchment areas.

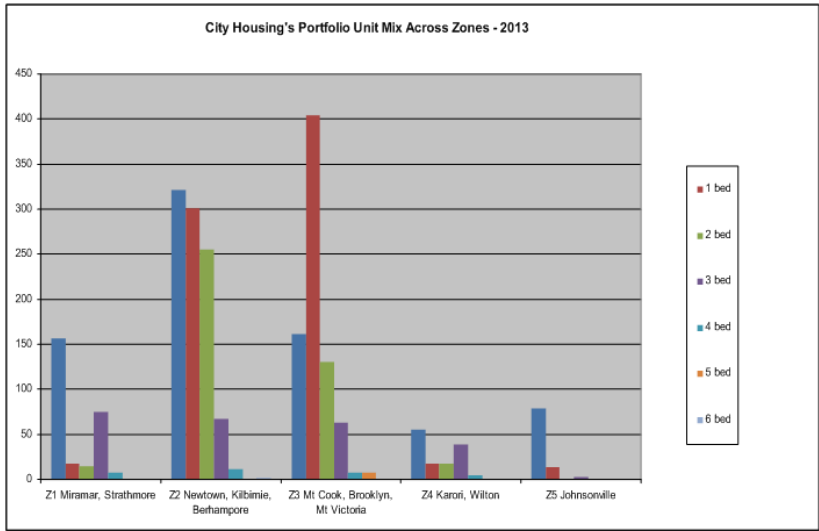
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About two thirds of all housing is centrally located in the central or southern suburbs with another significant concentration in Miramar. In the north, City Housing's presence is largely limited to bedsits.

Less than 2% of all City Housing stock contains more than 3 bedrooms, reflecting Council's historical focus on older persons and other singles' housing. The figure below illustrates choices available to Council housing applicants in each zone. There are 5 zones and they are used by City Housing for allocation and other operational purposes.

Fig 4.2.1 Wellington City Council Housing – Portfolio Mix across Zones

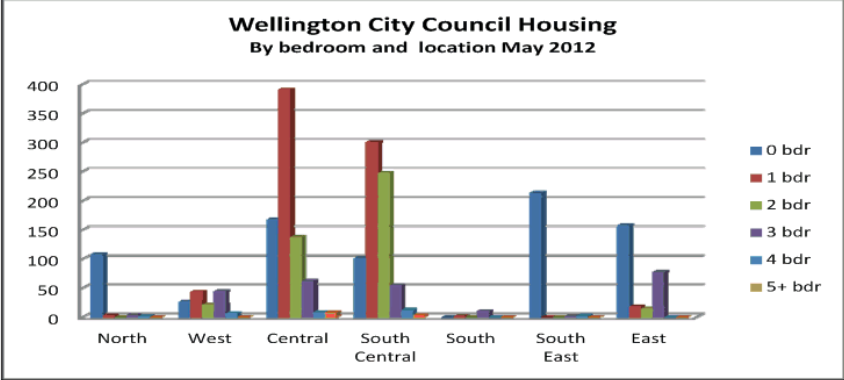


This same assessment has been done on catchment areas that are smaller more geographically defined. Most of the analysis in this Asset Strategy has been done on the smaller catchment areas. Over time it is intended to line up the analysis so that the existing zones are used for all purposes.

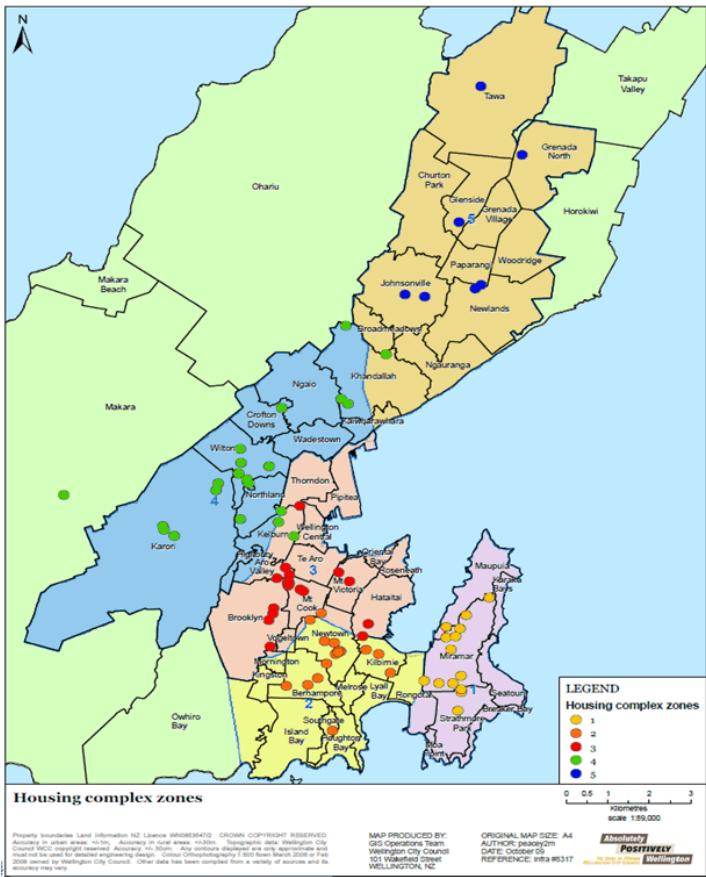
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4.2.3 Wellington City Council Housing by Bedroom and Location



City Housing zones and property locations



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Financial Performance

City Housing income and expenditure is ring-fenced. As part of the partnership with the Crown all income streams (primarily rent) must be spent within the housing activity. The 30 year Housing Upgrade Programme relies on any surplus being reinvested back into the programme to deliver the long term benefits.

Currently the rental policy sets rentals at 70% of market rent with an additional rent relief provision that sets an affordable rent relief limit at 35% of net household income – not including the disability allowance, tax and after Accommodation Supplement has been received. In addition there are no rent increases for tenants over the age of 80 years.

In effect all tenants will be paying 70% of market or 35% of net household income, whichever is lower.

This results in a current rental stream of around \$16.5 million per annum. While this is delivering reasonable surpluses, it is clear that the overall position in the long run will not upgrade all properties. The original plan was that 80% of properties would be upgraded. Depending on a range of decisions around both income and expenditure this may reduce further.

Some metrics are provided below to give an indication of the overall financial position.

Financial Performance Metrics – direct costs only.

Performance Metrics	2011/12	3 year average
Gross margin %	56%	60.9%
Return on land value%	9.9%	11.0%
Return on buildings value%	4.6%	4.9%
Return on capital value%	3.2%	3.4%
Gross yield%	5.6%	5.6%
Total maintenance as % of rental income ⁹	30.8%	27.6%
Insurance as % of rental income	5.6%	3.7%
Rates as % of rental income	5.5%	5.2%

There are currently no comparable social housing portfolios in New Zealand to allow relevant comparison but a benchmarking exercise would be helpful to determine efficiency and long term sustainability.

Our Tenants

⁹ Note that this metric is not comparable to other property portfolios because it assumes rentals at 70% of market income.

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As at May 2012, there were over 3,000 people living in City Housing properties and, in 75% of cases, there appears to be a good fit between occupied units and the needs of individual households¹⁰. At least 10% of all smaller units, however, were reported to have some degree of overcrowding.

By contrast, about 50% of all family sized houses were under-utilised, with at least one surplus bedroom in 231 out of 506 units containing two bedrooms or more¹¹.

Table 4.2.3: Wellington City Housing - Occupied Units by Bedroom and Occupant No.

Household Size	Total	Bedsit	1 bdr	2 bdr	3 bdr	4 bdr	5+ bdr
Single person	1092	543	341	115	87	5	1
Two person	230	65	82	62	17	4	0
Three person	155	52	22	43	37	0	1
Four person	117	27	17	31	40	1	1
Five person	56	13	5	14	20	4	0
Six person	30	12	3	3	10	2	0
Seven person	7	2	0	1	2	1	1
Eight person	3	1	0	0	1	0	1
Nine person	3	2	0	0	0	0	1
Ten person	0	0	0	0	0	0	0
Eleven person	0	0	0	0	0	0	0
Twelve person	0	0	0	0	0	0	0
Total Units	1693	717	470	269	214	17	6
Total occupants	3045	1114	682	587	574	56	32
Average occupants p/unit	1.8	1.6	1.5	2.2	2.7	3.3	5.3
Overcrowding?	177	109	47	18	3		
Overcrowding?	10%	15%	10%	7%	1%		
Underutilisation?	231			115	104	9	3
Underutilisation?	14%	0%	0%	43%	49%	53%	50%

A total of 390 households (23% of all tenant households) had one or more children living with them, compared to 1,304 childless households (77%), 1,100 of which were single people. The balance between single and family households has remained largely unchanged over the past ten years, but there have been significant internal shifts. Family-based households, for instance, are today more likely to come from Asia or Africa, and there is a greater variety of single people seeking assistance.

¹⁰ Tenant data is drawn from the dataset *Wellington City Housing Profile 2 May 2012*, and appears to undercount actual occupied tenancies. This data will be updated in later versions of the strategy.

¹¹ Due to quality issues the degree of underutilisation and overcrowding may be overstated. WCH has robust processes in place to identify mismatches between households and units and rectify the situation - although it can take time for suitable properties to become void.

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Table 4.2.4. City Housing - Occupied Units by Household Type

	All Tenants		Female Tenants		Male Tenants	
	Number	%	Number	%	Number	%
Single Adult	1092	64%	363	51%	729	74%
Two Adults	165	10%	82	12%	83	8%
Three+ Adults	47	3%	23	3%	24	2%
Single Adult + Children	137	8%	114	16%	23	2%
Two Adults + Children	193	11%	88	12%	105	11%
Three+ Adults + Children	60	4%	35	5%	25	3%
Total	1694		705	42%	989	58%

In terms of targeting, 72% of City Housing's tenants belong to one or more priority target groups identified in Wellington city's housing policy statement¹², although 633 households appear to be outside priority allocation criteria¹³. Further analysis is being undertaken to verify these figures and check data.

Table 4.2.5. City Housing - Tenants Meeting Targeted Priority Criteria May 2012

Priority Criteria	Total in group	As % of group	Age Bands				
			80+	60 - 79	40 - 59	20 - 39	0 - 19
Fit Elderly	342	15%	38	304	0	0	0
Refugee	174	8%	0	7	51	114	2
Low Level Psychiatric	279	12%	0	11	165	102	1
Multiple Disadvantaged	504	22%	0	40	254	206	4
Rent > 50% of Income	180	8%	0	21	91	68	0
Migrant	118	5%	0	8	48	62	0
Physical Disability	24	1%	0	9	11	4	0
No Priority Group	633	28%	0	85	332	213	3
Total	2,254		38	485	952	769	10
		As % of total	2%	22%	42%	34%	0%

In May 2012, there were 334 applicants on the waiting list. Refugees and migrants now make up about 50% of registered new demand for City Housing properties, compared to existing levels of around 10-12% of all occupied housing stock. For couple and family households, the refugee and migrant sector makes up more than 80% of new demand.

¹² Ref. WCC Social Housing Policy 2010

¹³ Ref. earlier comment on data quality. There appears to be a fault with the analysis tool.

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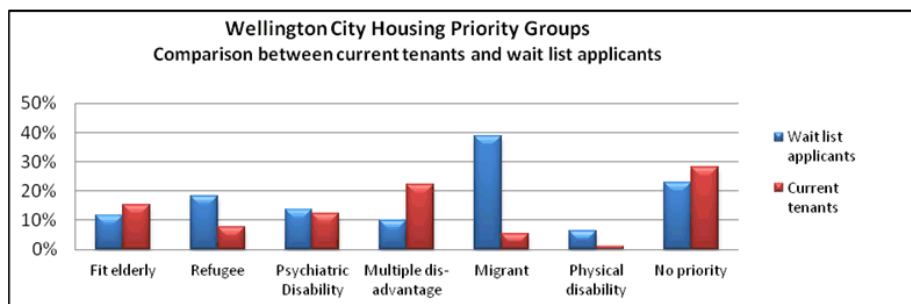
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Table 4.2.6: City Housing - Wait List Applicants by Household Type and Priority May 2012

	Total for h/hold type	As % of tot	Fit elderly	Refugee	Psychiatric Disability	Multiple dis-advantage	Migrant	Physical disability	No priority
Single	252	75%	21	43	43	26	75	13	71
Single Plus 1	4	1%		1		2	2		1
Single Plus 2	1	0%							1
Single Plus 3-4	7	2%		4	1	2	3	1	
Single Plus 5+	2	1%		2		2			
Couples Only	52	16%	17		1	1	41	4	3
Couple Plus 1	4	1%	1	5			4	2	
Couple Plus 2	2	1%		1	1			1	1
Couple Plus 3-4	7	2%		3			4		
Couple Plus 5+	3	1%		2			1		
	334		39	61	46	33	130	21	77
		As % of tot	12%	18%	14%	10%	39%	6%	23%

From an asset management perspective, the wait list data suggests that singles and small family households are still City Housing's principal customers. There is also consistent demand from larger family households, especially refugee and migrant households.

The current portfolio is biased towards single people. There are over 1,500 potential properties for the 252 single person households on the wait list but only 23 properties for those households requiring 4 bedroom or larger properties



The question is whether demand from family households should be satisfied through a new asset response, or would it be better addressed by making better use of our existing family housing assets and/or closer working relationships with social housing providers that supply family housing.

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4.3 Wellington City's Social Housing Partners – Crown and Community Sector

Wellington City Council is the Capital's largest social housing provider, but it shares responsibility for addressing social housing need with the Crown, church and community groups.

Housing New Zealand Corporation

Housing New Zealand Corporation retains a portfolio of about 1,900 housing units in the city, the largest concentrations of which can be found in the northern and eastern suburbs, and (for multi-unit housing) in CBD periphery areas, Newtown and Berhampore. The following date

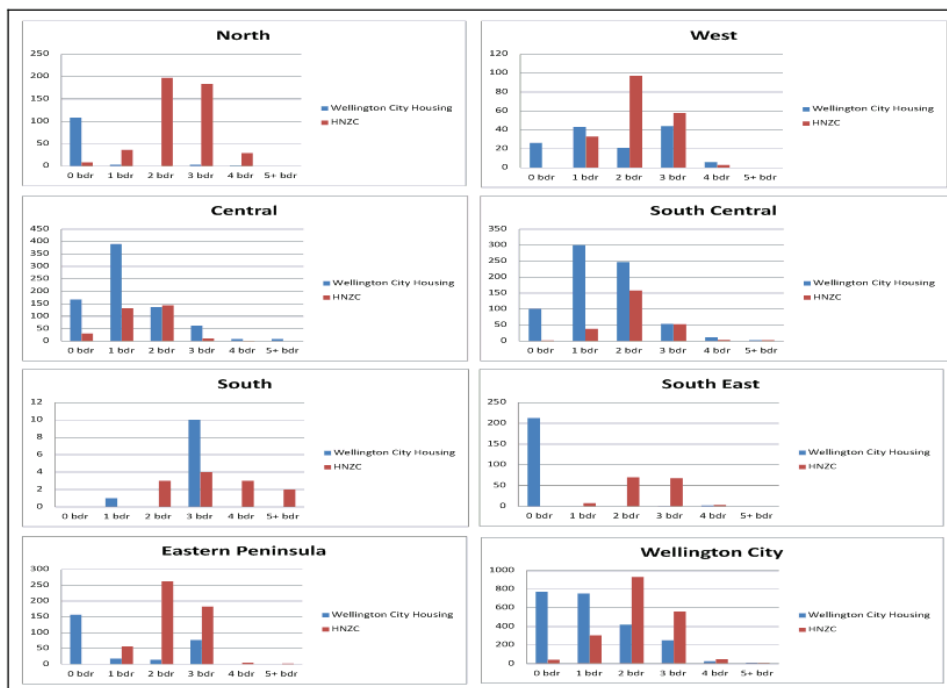
Table 4.3.1: HNZN Housing in Wellington City 2012 - by Bedroom No. and Location

	0 bdr	1 bdr	2 bdr	3 bdr	4 bdr	5+ bdr	Area totals	As % of all HNZN
North	8	36	197	183	29	0	453	23.9%
West	0	33	97	58	3	0	191	10.1%
Central	31	132	144	11	1	0	319	16.9%
South Central	2	38	158	53	4	3	258	13.6%
South	0	0	3	4	3	2	12	0.6%
South East	0	8	70	68	4	0	150	7.9%
East	0	57	263	183	5	2	510	26.9%
Bedroom totals	41	304	932	560	49	7	1893	
As % of all HNZN	2.2%	16.1%	49.2%	29.6%	2.6%	0.4%		

Together, City Housing and HNZN own and control more than 97% of the Capital's social housing assets. The combined portfolio is heavily geared towards smaller units, with 78% of all units being 2 bedrooms or less. As the figures overleaf illustrate, the two portfolios complement each other in some areas. In other areas the same sized stock is held by both providers.

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Short term demand for HNZN housing

In the past few years HNZN has reported an increase in demand from single people, couple-only and smaller family households. The information in the table below is sourced from recent HNZN wait list data, and indicates that almost 90% of all new applicants are households seeking two bedrooms or less. 55% of highest-priority demand (categorised as A or B on the HNZN wait list) comes from singles and couples needing only one bedroom¹⁴. Many of these applicants may also be on City Housing's wait list, particularly in the central catchment area and suburbs where there is similar stock held by each agency.

Table 4.3.2: HNZN Wellington Wait List June 2011 - by Bedroom No. and Priority

	1 bdr	2 bdr	3 bdr	4 bdr	5+ bdr	Totals
Total Wait List (A,B,C,D priority)	133	70	33	14	8	258
As % of Total	52%	27%	13%	5%	3%	
Household Size	68	27	14	9	5	123
As % of Total	55%	22%	11%	7%	4%	

There has been minimal new housing activity by HNZN in the last 10 years although HNZN's long-term asset strategy is flagging a modest increase for Wellington region as a whole over the coming decade. More importantly,

¹⁴ Note that HNZN no longer includes lower-priority applicants (C's and D's) in its wait list data

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perhaps, HNZN plans to sell down three bedroom housing and replace it with smaller units to better align its portfolio with current demand trends¹⁵.

Any gains in Wellington city are likely to be cancelled out by the 'retirement' of some of HNZN's older complexes in the CBD and adjacent areas, which are facing expensive upgrades to meet new seismic strengthening standards. McLean Flats and the Gordon Wilson complex on the Terrace, for instance, are both empty, pending decisions on whether to demolish or rebuild.

Community Sector

Alongside City Housing and HNZN are a range of church and community housing organisations that make up Wellington's housing third sector. The sector operates about 110 dwellings in the city, or about 5% of total social housing stock. Most of third sector housing stock is located in central and southern catchment areas. These include:

- 25 affordable rental housing units owned by the Wellington Housing Trust.
- About 75 supported living units for people with intellectual disabilities, mental health and substance abuse issues, most of which are owned by Community Housing Limited.
- A handful of transitional houses for ex-inmates.
- Five emergency housing properties including family housing operated by the Salvation Army, the Night Shelter, Wellington Women's Boarding House and Women's Refuges.

There has been minimal new housing activity by church and community agencies over the past 10 years. Although central government has announced its intention to grow the New Zealand housing third sector, we see little prospect of significant asset growth in the coming decade. This is due to both current local capacity constraints, and (based on recent trends) the bulk of new central government funding being directed towards Auckland.

4.4 The place of social housing in Wellington's wider rental housing market

Although Wellington City Council and HNZN are the city's largest rental investors, the social housing sector as a whole is dwarfed by private sector provision of rental housing. By way of example, almost 60,000 Wellingtonians living in rental housing in 2006, but only 12% of these were housed by social housing providers.

This percentage is significantly higher in the eastern and south-central suburbs, where social housing makes up a higher proportion of local rental housing stock.

¹⁵ Ref. Housing New Zealand Corporation *Asset Management Strategy: A Ten Year View 2010 - 2019*

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Table 4.4.1: Wellington City Population Living in Rental Housing 2006 - By Landlord

	HNZC	Wellington City Council	Private Rental	Total	Social housing as % of tot
North	984	123	7,698	9,309	12%
West	384	225	7,308	8,292	9%
Central	486	1077	17,856	20,904	8%
South Central	477	1044	5,310	7,134	23%
South	147	39	2,718	3,021	9%
South East	234	162	4,518	5,157	10%
Eastern Peninsula	1,182	456	3,372	5,181	34%
Total	3,894	3,129	48,780	58,998	
As % of tot	7%	5%	83%		

In total, there were 23,600 households living in rental housing in 2006, of which about 15% were in some form of social housing. Based on earlier assessments¹⁶, the social housing sector currently accommodates about 40% of Wellington's most at-risk households, down from 50% in 2001. This means that about 60% of low income households most in need of direct housing assistance rely on the private sector for housing. The table below explores this point further for renting households earning \$30,000 or less in 2006.

Table 4.4.2: Wellington Renting Households earning under \$30,000 - by Landlord and Householder Age

Sector of Landlord	15-29 Years	30-44 Years	45-59 Years	60-79 Years	80+ Years	Not Stated	Total	As % of tot
Housing New Zealand Corporation	90	237	201	180	45	9	762	15%
Local Authority or City Council	102	291	276	327	57	9	1,062	21%
Private Person, Trust or Business	1,353	900	369	198	36	60	2,925	57%
Other State-Owned	27	15	9	9	0	0	54	1%
Not Elsewhere Included	192	51	42	24	105	24	339	7%
Total	1,767	1,494	894	741	141	99	5,145	
Age group as % of total	34%	29%	17%	14%	3%	1.9%		
WCH & HNZ as % of age group	11%	35%	53%	68%	72%			

Notwithstanding the social housing sector's declining overall market share, social housing remains the mainstay for lower income older people. More than 70% of all renting households with a person aged 60+ relied on social housing providers.

Overall, low income single people and couples, and sole parent households appear to have a higher dependence on social housing than similar family-based households. In part this is because HNZC and WCC own a higher proportion of smaller Wellington rental dwellings of one bedroom or less – about 33% of all stock based on 2006 Census data, and upwards of 50% in south-central, south east and eastern catchment areas.

¹⁶ Ref. *Wellington City Housing Needs Assessment*, report prepared for WCC and HNZC by DTZ New Zealand and Stimpson & Co, August 2006

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Table 4.4.3: Wellington Rental Housing 2006 - By Bedroom No.

	One Bedroom	Two Bedrooms	Three Bedrooms	Four or More Bedrooms	Not Elsewhere Included	Total	Area as % of tot
North	384	1,089	1,545	420	9	3,453	15%
West	642	1,131	1,137	480	12	3,405	14%
Central	2,589	2,784	1,713	1,434	57	8,574	36%
South Central	840	1,095	639	339	30	2,940	12%
South	261	411	423	144	3	1,239	5%
South East	552	741	543	273	24	2,133	9%
Eastern Peninsula	351	657	678	174	18	1,875	8%
Total	5,616	7,911	6,678	3,258	153	23,616	
Bdr as % of tot	24%	33%	28%	14%	1%		

4.5 The Bigger Picture: Forces Shaping Future Demand for Social Housing

Population and Household trends

Between 2011 and 2031, Wellington's population is expected to increase by almost 20% or about 38,000 people, more than 50% of whom will be aged 60 plus.

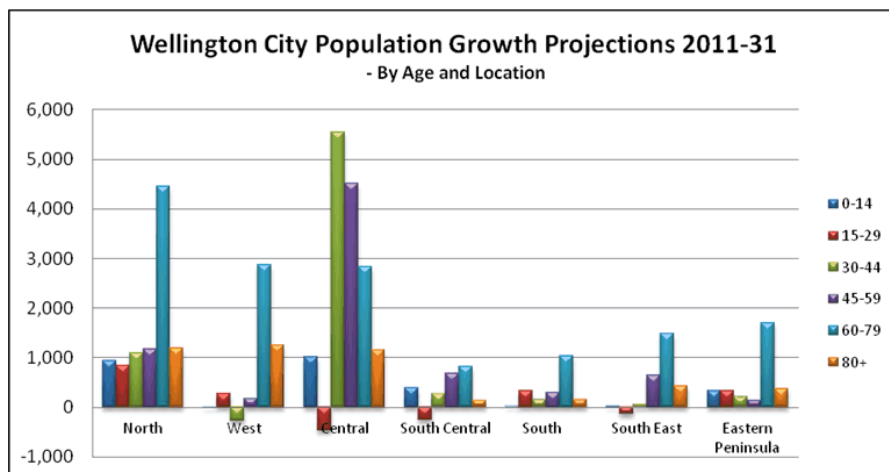
Table 4.4.4: Wellington City 2006-31 - Projected Population Growth by Age

	Age range						Total all ages
	0-14	15-29	30-44	45-59	60-79	80+	
1996	30,570	44,570	43,090	25,950	15,940	3,300	163,400
2001	31,540	44,130	45,880	29,180	16,820	3,560	171,100
2006	32,880	50,520	48,460	33,570	18,180	4,060	187,700
2011	33,900	54,370	49,420	36,580	21,640	4,550	200,500
2016	35,570	53,920	52,740	39,360	25,240	4,960	211,800
2021	36,740	53,160	55,760	40,640	29,340	5,760	221,400
2026	36,900	53,800	57,760	41,170	33,780	7,000	230,400
2031	36,610	55,310	56,470	44,200	36,810	9,260	238,700
Net change 2011-31	2,710	940	7,050	7,620	15,170	4,710	38,200
As % of 2011 tot	8%	2%	14%	21%	70%	104%	19%
				Net change 60+		19,880	
				As % of 2011 tot for 60+		76%	
				As % of 2011-31 change		52%	

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The figure below summarises our analysis of population growth projections for each of the strategy's seven catchment areas. The analysis suggests that growth impacts will be felt most keenly in the northern suburbs and the central catchment area, although all catchment areas will feel the impacts of an aging population.



Aging and lower family formation rates will have a significant impact on Wellington's household composition over the strategy period. Total household numbers are expected to grow by almost 30% to over 100,000. Couple and single person households are expected to increase by almost 20,000, and make up more than 60% of all households by 2031. By contrast, the number of households with children will only increase by about 2,000 over the same period.

Table 4.4.5: Wellington City 2006-31 - Projected Household Growth by Household Type

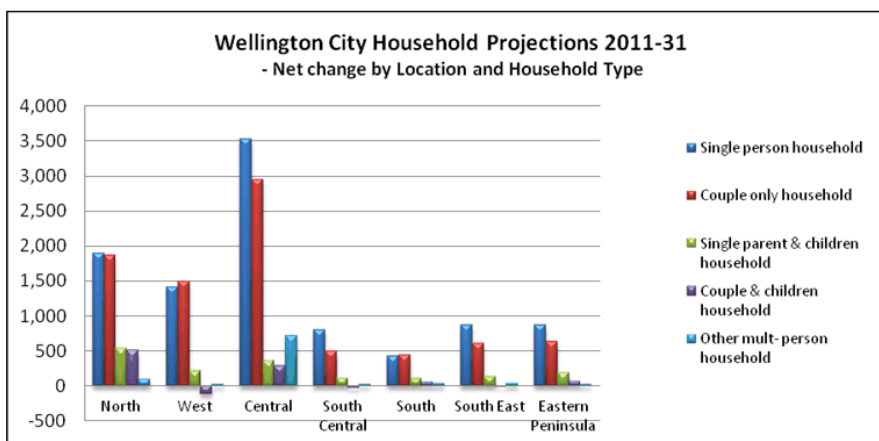
	2006	2011	2016	2021	2026	2031	Net change 2011-2031	As % of 2011 tot
1 Person Households	18,600	20,600	22,800	25,200	27,700	30,400	9,800	48%
Couple Without Children Households	20,200	22,700	25,100	27,300	29,200	31,200	8,500	37%
1 Parent Families Households*	7,080	7,640	8,120	8,510	8,890	9,280	1,640	21%
2 Parent Families Households	20,100	20,700	21,200	21,500	21,600	21,500	800	4%
Other MultiPerson Households	7,010	7,680	7,970	8,070	8,300	8,620	940	12%
Total Households	73,000	79,400	85,200	90,500	95,800	101,000	21,600	27%

* Denotes with or without other people

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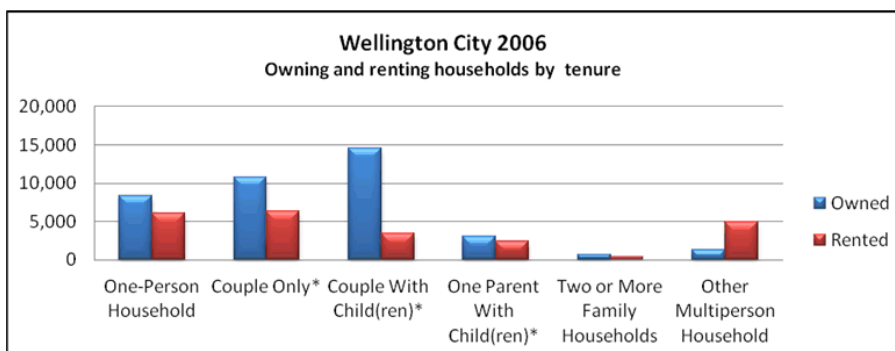
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As with population growth, changes to Wellington's household mix will not be evenly spread across the city. This is explored further in the figure below, which is based on indicative projections of household growth in each of the seven catchment areas¹⁷.



Tenure trends

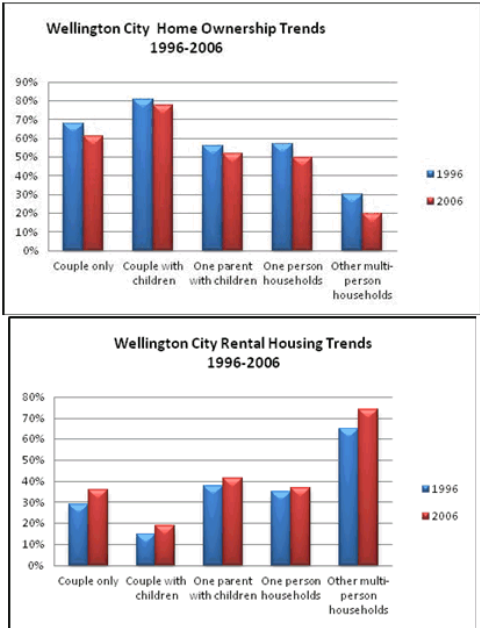
The figure below summarises 2006 Census data on tenure patterns for different household types). Home ownership is still the preferred tenure for most Wellingtonians, with almost 60% of all households living in their own home. Home ownership rates are substantially higher in suburban areas, while in the central and south central catchment areas, fewer than 40% of all residential dwellings are owner-occupied.



¹⁷ Derived from SNZ household projections for the City as a whole. Produced by SNZ to the authors specifications.

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Home ownership rates in Wellington have been in decline for almost 20 years, and this is expected to continue. The figures below are for the 1996-2006 inter-census period, and suggest that rates are falling across all household types.



It is broadly estimated that that Wellington's home ownership rate will reduce to about 55% by 2031, which means that almost all net household growth over the strategy period will be accommodated in rental housing. As a consequence, we expect most new housing development will be targeted at rental investors, or suburban homeowners selling their existing family homes to rental investors.

Social Housing Trends

Based on earlier assessments¹⁸, demand for social housing (as defined by Council's social housing policy) is expected to grow by more than 50% over the strategy period. To retain the same market share, the social housing sector would need to grow by about 1,500 units or 75 units per annum over the next 20 years. To maintain its current share of the social housing market City Housing would need to increase its housing unit numbers by about 800 units, or 40 units per year over the strategy period.

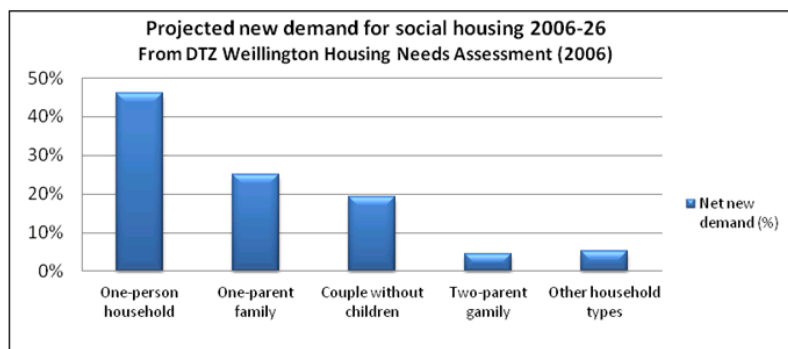
There is, however, no political or other imperative to increase Council housing numbers. The Deed of Grant only requires the Council '...to remain in social housing at approximately the same [2008] levels over a period of 30 years.' Since the Deed was signed the Government's strategy to meet increasing social housing demand has been to grow the third sector.

¹⁸ Ref DTZ *Wellington City Housing Needs Assessment* 2008

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From a demand growth perspective, the bulk of new demand is expected to come from single people, couples and sole parents, who are already over-represented on HNZA and City Housing waiting lists.



There is also some projected increase in demand from larger family households, but further assessments are required before committing to an asset response because, as a general rule, larger low-income households are well-supported by demand-side benefits (including the AS and Family support) - at least in comparison with smaller non-family households.

Location-wise, our analysis suggests that demand growth is likely to be strongest in central Wellington, and in the northern suburbs, where City Housing has only a minor presence. This is reflected in current ratios, which indicate that lower income renting households in the north, west and central catchment areas are already less able to access social rental housing than for traditional state and council housing areas.

5. CHALLENGES

In this section we identify and briefly discuss some of the key challenges that will face City Housing over the 20-year strategy period.

5.1 A Healthy Starting Point?

From an asset management perspective, City Housing is in an enviable position compared to many public housing agencies. The city has a \$400 million programme in place that will see most of our current housing assets benefit from some form of upgrade over the strategy period, from full reconfiguration to refurbishment.

The *Housing Upgrade Programme 2008-29* is supported by complementary re-housing and community action strategies to minimise tenant disruption and maximise community development benefits arising out of the project. The Council has also committed to being a social housing provider until at least June 2037 so City Housing has a stable platform to plan and deliver any future asset response.

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For the most part, however, planned investment over the coming 20 years will not help Wellington city to house more people.

Rather its value lies in addressing historical problems with the portfolio and bringing units up to a modern standard.

The net result is that Wellington city will have a housing asset that is fit for purpose by the time the current social housing commitment draws to a close.

Notwithstanding this, the city will face some significant challenges over the strategy period, particularly over the next 10 years.

5.2 Key challenges

1. *Demand will continue to grow, whatever our investment focus.*

Based on earlier assessments, demand for social housing is expected to grow by more than 50% over the strategy period. Conversely, social housing stock numbers are expected to marginally decline as a result of City Housing's reconfiguration programme. HNZA's high-rise problems and a general lack of capacity in the 3rd sector are also likely to contribute to a reduction of social housing in Wellington

In broad terms the sector's share of the 'at-risk' housing market is predicted to fall from 50% in 2001, to 40% in 2012, to as low as 25% by 2032, which begs the question "...can Wellington city absorb such a significant supply-side swing away from social housing as a readily-available safety net? How will the private sector absorb additional demand from a further 4-5,000 high-needs households between now and 2032?

2. *The demand mix is changing.*

Recent housing needs assessments suggest that 90% of new demand for social housing between 2012 and 2032 will come from lowest income singles, couples and sole parent households. This is supported by more recent assessments.

Older people within these groups are particularly reliant on the social housing sector. For instance, about 70% of all 60 plus renting households living in Wellington in 2006 lived in Council or HNZA housing. At 1 July 2013, just under 14% of the wait list was people over 60 years old. Based on recent studies, we expect that the total number of older Wellingtonians seeking subsidised rental housing will more than double over the next 10-20 years.

A re-run of demand forecasting will be done when the 2013 census figures are available. Forecasting housing need relies on a robust assessment of demographic data. Supply side issues are also relevant and are harder to forecast.

3. *The locus of demand is shifting.*

The form and location of Wellington city's housing assets is largely based on decisions taken in the 1960s and 1970s. Wellington city stock is predominantly where HNZA also has a significant presence, i.e. south-central and the eastern catchment areas. Having a high density of social housing brings social and community development challenges.

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Conversely, there is no current provision to expand Wellington city's housing presence in northern suburban communities, all of which are expected to experience a significant rise in demand for social housing over the strategy period.

4. *Improving our existing asset performance*

An axiom of strategic asset management is that owners should look first at what can be done to improve the performance of existing assets before making a decision to increase their capital commitments. In the Wellington city context, this raises two issues:

- What more can be done to optimise the way we better utilise our existing asset, for instance, by ensuring that larger units are not occupied by single people, or by incentivising 'stepping-stone' target groups to move on?
- What strategies are in place to manage the capital impacts of poor performance, for instance, by freeing up capital tied up on low-yield and/or low demand properties?

In respect of the latter point, City Housing has largely avoided selling poor performing properties. As a result, there are an unspecified number of units that contribute little to social or financial outcomes. Many of these were inherited during the 1980s and 90s, but are in the wrong place, and/or are inappropriate to the needs of today's priority applicants.

City Housing plan to develop a value-based assessment tool to support an unencumbered process where City Housing regularly identifies under-performance, and initiates disposal and reinvestment action.

5. *No new capital funding for expansion?*

Government housing policy is now firmly focused on growing the third sector, so it is unlikely that Wellington City Council will itself receive any direct Crown assistance the foreseeable future. This means that any plans to grow the portfolio will need to be internally funded, either by making better use of the Crown Grant/Housing Upgrade Project budget, or increasing operating surpluses.

Neither of these options is without problems, including possibly being at odds with City Housing's foundation objectives and the Deed of Grant. There are alternatives, for instance:

- Increasing City Housing's debt levels
- Forming strategic partnerships with the private sector to leverage off our higher-value housing areas
- Leasing property, especially for 'stepping stone' family households whose needs are transitional and not based on extreme affordability or long-term supply shortfalls.

We need to explore these alternatives in greater detail.

6. *Housing Upgrade Programme - cost escalation risks*

Although the *Housing Upgrade Programme* provides for cost escalation, the programme's larger expenditure categories, like compliance and general

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upgrades, have climbed significantly since the project was first mooted. This has led to some programme changes. By way of example the Housing Upgrade Programme originally intended to reconfigure 50% of all bedsits, but this was reduced to 35%¹⁹.

This was a pragmatic response but care must be taken in upcoming years to ensure that reduced social housing outcomes are not viewed as the default contingency for rising costs in areas that do not offer a benefit to current and future tenants. For example, a further rise in compliance-related costs of (say) 20% would halve the remaining level of funding available for reconfiguration and new housing.

7. *Improving service standards*

The *Housing Asset Reconfiguration Strategy 2002* introduced the notion of a 'target housing standard' for all new and upgraded housing. This has been amended and adopted for the *Housing Upgrade Project*.

Having completed several larger upgrade projects, we are now in a position to review the appropriateness of the current standard, and to establish whether changes could improve overall asset performance and/or free up capital for expansion.

In the same vein, Wellington city has an opportunity to systematise other high-cost areas including planned and responsive maintenance, with the joint objectives of ensuring that a high and consistent standard is applied across the portfolio, and achieved at the lowest cost.

8. *Improving information quality*

Another axiom of strategic asset management is that the best decisions come from having access to (and being able to interpret) the best and most recent information. In this context, City Housing has room for improvement.

We need to address information needs in a consistent and regular way including a finer-grained analysis of housing need that recognises the different need profiles within Wellington's different areas.

9. *Social housing partnerships*

One of City Housing's foundation principles is that we share responsibility for social housing with other agencies, particularly HNZA and the Crown. What then of their plans over the strategy period?

HNZA's 10-year strategy for Wellington region is to reduce family housing stock and replace these with one and two bedroom units. As we understand it, a small net increase is planned across the region, but no significant new development is planned for Wellington city²⁰. Indeed, HNZA faces the potential loss of some of its earthquake-prone complexes closest to the CBD.

There also appears to be little scope for growth within the Wellington housing third sector, even though not-for-profit organisations are now the main

¹⁹ Ref.WCC Housing Upgrade *Project Work Programme 2008-29* pp84-6

²⁰ Ref Housing New Zealand Corporation *Asset Management Strategy: A 10 Year View 2010-2019*

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beneficiaries of central government housing assistance. Two factors contribute to this:

- Unlike Auckland and Dunedin, Wellington's housing third sector is comparatively underdeveloped, with only one small housing provider outside of specialist health and disability providers.
- Based on recent trends, Wellington is unlikely to be seen as a priority for new funding. For example, \$22 million of the \$23.5 million allocated by the Social Housing Unit in early 2012 went to Auckland projects, and there is little to suggest a different pattern for the \$104 million earmarked over the next three years.

Can Wellington City Council do more to energise the housing third sector, for instance, by taking a greater leadership role or actively investing in third sector agencies? The Strategy and Policy Committee agreed the scope for an Affordable Housing Strategy in May 2013. This is due to report back by the end of 2013 and will identify options to improve the capacity and contribution of the third sector as well as possible roles for the Council in improving housing affordability.

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6. GOALS OBJECTIVES AND PRIORITIES FOR ACTION

In this section, we outline City Housing's strategic response to the challenges canvassed in the previous section.

6.1 Strategic Framework

The SHAPING OUR HOUSING FUTURE, City Housing Asset Strategy is organised around five housing outcome areas, which are themselves derived from the city's social housing vision and foundation principles. Each outcome area has been translated into a long-term goal that reflects where we hope to be by the end of the 20-year strategy

Outcome Area	20-Year Goal
1 Housing Alignment	Wellington city will have the right assets in the right place to deliver its housing mission
2 Housing Quality	Wellington city's housing asset will be fit for purpose and deliver modern levels of amenity
3 Resident Health and Wellbeing	The health and wellbeing of residents will be enhanced by the way we manage Wellington city's housing asset
4 Sustainability	Our stewardship of the housing asset will enable Wellington city to keep on providing social housing for the foreseeable future
5 Strong Sector Partnerships	Wellington city will be part of a vibrant and growing social housing sector that shares responsibility for social housing need

For each 20-year goal, we have identified four or five 10-year strategic objectives the achievement of which will make a measurable contribution to achieving our goals during the strategy period. These are supported by priorities action over the next three years, which we will incorporate into City Housing's one and three-year asset management plans.

The summaries overleaf contain indicative operating and capital impacts for each outcome area, and suggested performance targets for use in subsequent plans.

The Housing Asset Strategy will be reviewed every three years, so that action priorities can be refreshed and (as required) medium and long-term goals and objectives amended to reflect the changing business environment and aligned with AMP and LTP processes.

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6.2 Outcome Area 1: Housing Alignment

Our 20 year goal:

Wellington city will have the right assets in the right place to deliver its housing mission.

Why this goal?

This goal aims to respond to changing patterns of demand, and an expected increase in overall demand over the strategy period.

Like any housing business, City Housing needs to be responsive to shifting patterns of demand and supply. To be responsive, we need:

- An excellent understanding of what's happening in the marketplace
- A flexible investment strategy that can respond to changes in demand
- Procurement strategies that deliver the best value for money
- Access to new capital for expansion

Where are we now?

Of a total Housing Upgrade Programme budget of \$410 million over 20 years, only 15% (\$42 million in 2008 prices) will be spent on reconfiguration, new builds and extensions.

The expected net result is a small increase in two and three bedroom units increase (+41). Housing will be of a better quality. Location-wise, no new housing will be built on land not already within the CH asset pool.

Where do want to be in 10 years?

Over the next ten years, City Housing will begin the process of repositioning our housing asset to meet future demand growth.

This will not, however, be at the expense of essential improvements already planned as part of the Housing Upgrade Programme. These are subject to a binding commitment between Wellington City Council and the Crown.

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Getting there:

The table below outlines four 10-year objectives for better aligning our housing stock with future housing need. Each objective is supported by priorities for action over the next three years, including:

- Improving the quality of our need assessment and development feasibility analysis
- Integrated planning at local area level
- Increasing new housing provision by recycling capital tied up in poor performing assets, or through procurement efficiencies, or by securing new capital funding.

Outcome Area 1 : Housing Alignment		
Our Goal	10 Year Strategic Objectives	Priorities over the next 3 years
City Housing will have the right assets in the right place to deliver its housing mission	1.1 Ensure that all investment decisions are based on robust assessments of feasibility and housing need	1.1.1 Update data in the housing needs assessment framework when the 2013 census information is available and continue to monitor trends.
		1.1.2 Finalise CH's financial assessment tool and apply to all upcoming projects by end 2013
	1.2 Reposition Wellington city's housing existing assets to better meet current and future housing demand	1.2.1 Achieve annual Housing Upgrade Programme (HUP) targets 2013-18
	1.3 Recycle capital tied up in poorly-matched and underperforming housing assets	1.3.1 Develop and gain approval for a disposal strategy that targets poor performing assets end December 2013
		1.3.2 Initiate disposal programme in 2013/14
	1.4 Adjust the size and mix of Wellington city's housing portfolio as required to meet the City's share of future housing need	1.4.1 Meet all of Wellington city's responsibilities arising from its social housing agreement with the Crown
		1.4.2 Explore new capital funding and other opportunities for Wellington city and its housing partners to grow the quantum of social housing in Wellington's stock transfer

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Key performance indicators 2013-2023

- Occupancy (target 90%) *Note- this target is the LTP target and will be revised upwards at the next LTP. This target factors in the HUP decanting process during a significant construction period. Actual occupancy is averaging around 94%.*
- 95% of the portfolio occupied by tenants who fit targeting criteria
- Return on asset
- Gross margin

6.3 Outcome Area 2: Housing Quality

Our 20 year goal:

Wellington city's housing asset will be fit for purpose and deliver modern levels of amenity

Why this goal?

This goal provides a strategic context for the *Housing Upgrade Project 2008-29* and its supporting strategies, and largely mirrors (at a higher level) the objectives set out in the original WCC Housing Asset Reconfiguration Strategy.

Where are we now?

Almost 75% of *Housing Upgrade Programme* expenditure between 2008 and 2029 is focused on activities that improve property condition and amenity levels. In addition, City Housing spends about \$9.5 million annually on renewals, planned and responsive maintenance.

Where do we want to be in 10 years?

Because City Housing's maintenance and upgrade programmes are already appropriately funded, our focus over the next 10 years will be on improving the effectiveness of the maintenance spend. Priority will be given to:

- Ensuring that Housing Upgrade Programme targets for the strategy period are met
- Wherever possible, reducing the cost of upgrading our stock, so that we can increase housing alignment-related activity
- Ensuring that the standards we set for our housing are appropriate, and are regularly updated

In respect of the latter point, we need to set measurable standards for all maintenance and upgrade activity, including:

- *Compliance standards*, which accurately set out what level of compliance CH will achieve in respect of, for instance, seismic strengthening activity meeting statutory requirements
- *A Modern Housing Standard*, which builds on the existing minimum housing standard and prescribes base levels of amenity and functionality for different classes of housing within the portfolio
- *A Property Condition Standard*, which will drive planned maintenance. There is much we can learn from overseas best practice, including life-cycle planning methodologies for programmed management activity

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- *Minimum Service Standards* for planned and responsive maintenance including timeliness and quality measures for CH's maintenance contractors

Getting there:

Four strategic objectives are proposed, supported by seven priorities for action over the next three years. In summary, we aim to apply lessons learned over the first five years of the Housing Upgrade Programme, and from other best practice public housing managers.

Outcome Area 2 : Housing Quality		
Our Goal	10-Year Strategic Objectives	Priorities over the next 3 years
Wellington city's Housing asset will be fit for purpose and deliver modern levels of amenity	2.1 Ensure that Wellington city's housing assets comply with national and local seismic, fire safety and other building standards	2.1.1 Ensure compliance with relevant national and local statutory requirements at all times
		2.1.2 Achieve planned 5-year seismic strengthening targets
	2.2 Regularly upgrade Wellington city's housing assets to provide an appropriate level of contemporary amenity	2.2.1 Introduce the City Housing <i>Modern Housing Standard</i> by end 2013.
		2.2.2 Continue to implement a life-cycle approach to asset management
	2.3 Ensure that Wellington city's housing assets are well maintained at all times	2.3.1 Finalise the City Housing <i>Property Condition Standard</i> by end 2013.
		2.3.2 Develop and implement minimum service levels for planned and responsive maintenance based on this standard by mid-2013
	2.4 Contribute positively to residents health and wellbeing by helping them to reduce heating and other household costs	2.4.1 Develop a strategy by the end of 2013 for improving thermal comfort and energy efficiency in all units over the next 7 years

Key performance indicators 2013-23

- % of portfolio meeting minimum standards by 2015 (Note: a minimum standard is currently being developed and the first measure will form the baseline measure)
- No more than 3 justifiable complaints about the City Care service response per quarter
- ≤ 2% of "hard to lets" in portfolio (hard to let defined as more than 3 consecutive refusals for an individual property).

6.4 Outcome 3: Resident Health and Wellbeing

Our 20 year goal:

The health and wellbeing of residents will be enhanced by the way we manage Wellington city's social housing asset

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Why this goal?

This goal is intended to focus on tenant participation, empowerment and well being. In particular:

- General improvements to health and safety systems
- Enabling tenants to participate in decisions about the housing asset
- Assisting tenants to move on when they no longer need assistance (better utilisation)
- Improve housing opportunities for older people, and people with disabilities.

Where are we now?

City Housing's services policy (targeting, transition), Community Action Programme (tenant participation) and the Housing Upgrade Programme (numbers of accessible units) already make some provision in respect of these points, but there are other initiatives that could be considered.

Currently priority applicants within the 'fit elderly' and 'physical disabilities' target groups wait longer to be housed than other target groups. While this may be considered from an asset perspective, engagement with the wider health and disability sector and possible access to health funding could be explored for instance.

The table below illustrates this using 2010/11 wait list data

Table 6.4.1: Average wait for WCH priority applicants 2010/11

Category	Days
Rent >50% of income	310
Multiple disadvantage	326
Psychiatric disability	376
Migrants/refugees	537
Fit elderly	1034
Physical disability	1357

It needs to be noted that since the advent of the Housing Upgrade Programme, waiting times have lengthened because City Housing holds vacant units to facilitate the relocation of tenants from complexes about to enter construction phase. The bulk of relocations will be complete in 2013 and more properties will become available to wait list applicants. Many of these applicants have been housed by City Housing on fixed term tenancies before gaining a standard tenancy and officially leaving the waiting list.

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Where do we want to be in 10 years?

Over the next ten years, City Housing will increase the experience of people in Council housing including:

- Quality of life improvements (sense of well being, health and safety)
- Improved housing options
- Ensuring that longer-term residents participate fully in community activity
- Ensuring that shorter-term tenants are not trapped in social housing, by providing positive incentives to move up the housing ladder.

Getting there:

The table on the following page outlines 10 year objectives for this outcome area, supported by priorities for action over the next three years. In summary, we want to create a more integrated living environment for our tenants, and greater opportunity for tenants to contribute to the management of their community

Outcome Area 3 : Resident Health and Wellbeing		
Our Goal	10-Year Strategic Objectives	Priorities over the next 3 years
The health and wellbeing of residents will be enhanced by the way we manage Wellington city's housing asset	3.1 Provide a safe and secure living environment for all residents	3.1.1 All City Housing sites will be assessed against CPTED design guidelines by 2016.
		3.1.2 Continue to improve the effectiveness of CH's emergency management procedures by increasing tenant participation in fire safety and evacuation exercises, and upgrading safety systems.
	3.2 Empower and enable tenants to participate in decisions about the future of Wellington city's housing asset, and make positive decisions about their own future housing choices	3.2.1 Investigate the benefits of positive incentives for tenants who no longer need our help to move to other housing or residential care.
		3.2.2 In line with City Housing's tenant participation policy, resident views will be sought and taken into account when major asset-related decisions are made.
	3.3 Ensure that enough accessible housing units are available for residents and priority applicants with age-related or other disabilities	3.3.1 At least 5% of Wellington city's new build housing will meet national accessibility criteria.
		3.3.2 All new-build housing will meet 'universal design' standards for new construction.
	3.4 Through good asset management, help tenants to stay part of their chosen community as they age or their health circumstances change	3.4.1 Modify properties as required, including helping tenants to apply for disability modification funding support.
		3.4.1 Work with our social services partners to deliver wrap-around health and other services for older and other priority residents

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Key performance indicators 2013-23

- Emergency evacuations procedures are compliant and there is 100% follow-up on Fire Service recommendations following each evacuation procedure.
- No avoidable incidents reported within the portfolio concerning health and safety
- Tenant satisfaction survey data (overall quality of life/improving trend on quality of life/sense of safety – 2013 benchmark year)

6.5 Outcome Area 4: Sustainability

Our 20 year goal:

Our stewardship of the housing asset will enable Wellington city to keep on providing social housing for the foreseeable future

Why this goal?

This goal focuses City Housing as a business, and the tools we use to measure the Council's return on its housing investment.

Where are we now?

The Wellington City Housing business model is well established and, as a general rule, has performed well. Financial performance measures are reported in Section 4.2. Asset risks have been substantially reduced thanks to the Crown investment but ongoing prudence will be required to sustain the portfolio in the long run.

Where do we want to be in 10 years?

City Housing has set its sights on becoming Australasia's best public housing manager. To achieve this, we will learn from other successful public housing managers, and seek inspiration from leading edge practitioners in the private sector, particularly in respect of:

- *Process improvements*

We will look to improve our asset management processes, particularly those that have an adverse impact on revenue streams, like vacancy rates and utilisation rates.

- *Return on Investment*

There is a significant body of new research on how to measure the financial and social performance of public housing assets.

- *Procurement*

If Wellington City Council wants to grow its social housing stock, we need to free up capital for new housing projects. To achieve this, we will consider more innovative funding approaches, for instance equity partnerships with private and community sector interests, and perhaps non-asset responses that achieve a similar social housing outcome.

Getting there

Five 10 year objectives are proposed for this outcome area, supported by priorities for action over the next three years. In summary, the focus is on:

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- Improving net cash flows by improving the effectiveness of activities that impact on the revenue stream, and our asset procurement procedures
- Improving our ability to measure success by developing new asset performance measures that capture both financial and social performance
- Getting better value for money from our currently-planned housing investment

Outcome Area 4 : Sustainability		
Our Goal	10 Year Strategic Objectives	Priorities over the next 3 years
Our stewardship of the housing asset will enable Wellington to keep on providing social housing for the foreseeable future	4.1 Deliver an operating surplus every year	4.1.1 Use the surplus to reduce debt and/or fund housing renewal activity.
	4.2 Maximise rental cash flows by keeping occupancy levels high and tenant debt low	4.2.1 Achieve all asset-related performance targets in respect of vacant properties - stretch targets are in place.
		4.2.2 Minimise rental arrears and other tenant liabilities in line with planned targets - stretch targets are in place.
	4.3 Protect and enhance the investment value of Wellington city's housing asset	4.3.1 Ensure that Wellington city's housing upgrade and other renewal programmes has a measurable and positive impact on asset value over the period.
	4.4 Protect and enhance the social housing value of Wellington city's housing asset	4.4.1 By end 2013, introduce a 'social return on investment' measure (SROI) based on international benchmarks.
	4.5 Be regarded by our peers as one of Australasia's best social housing asset managers	4.5.1 City Housing's asset management systems will reflect Australasian best practice.
		4.5.2 Wellington city's procurement processes for assets will deliver the required standard at an optimal price.

Key performance indicators 2013-23

- Social housing maintained at approximately the 2008 level of social housing (as per Deed of Grant with Crown)
- EBITDAL (Earnings before interest, tax, depreciation, amortisation and leasing)
- Return on Investment (note ROI measure will be confirmed when further research is completed on other social housing methodologies)

6.6 Outcome Area 5: Strong Housing Partnerships

Our 20 year goal:

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Wellington city will be part of a vibrant and growing social housing sector that shares responsibility for social housing need

Why this goal?

A key principle of City Housing is that Council is not solely responsible for social housing in the Capital. We have a longstanding relationship with the Crown through HNZA, and have supported the housing aspirations of church and community organisations for many years.

By supporting asset growth in the sector as a whole, Wellington city's own investment can be focused on selected priority groups.

Where are we now?

As outlined earlier, the Wellington social housing sector is declining in scale. The need for affordable and social housing is increasing and this is projected to continue. The role of HNZA has been constrained by recent government policies and Wellington's social housing sector is under-developed compared to other New Zealand cities.

HNZA and City Housing are both targeting those people most disadvantaged in the housing market and have a good operational understanding of one another. There are further opportunities to work together on both asset and tenancy matters. There are also synergies between Council and emergency/transitional housing providers, particularly joint participation in programmes to combat homelessness. The Wellington City Council has initiated work on Te Mahana: a strategy to end homelessness in Wellington by 2020 which aims to bring key stakeholders together for a co-ordinated approach to tackle the city's homelessness problem.

Regionally, Wellington's local authorities are beginning to work together on housing issues, although there is as-yet no common understanding of the 'social housing problem' or what the region's total social housing asset base currently comprises. What we do know is that other local authorities have adopted quite different approaches, from outright sale of the social housing asset (Upper Hutt), to transferring social housing assets into a Council Controlled Trading Organisation (CCTO)

Where do we want to be in 10 years?

Over the next ten years, City Housing will increase its participation in the social housing third sector, and also work more closely with our major housing partner HNZA. Our aim is to increase the overall size of the sector, and to improve coordination of housing activity within Wellington city and the Wellington region as a whole.

Getting there:

Five strategic objectives are proposed for this outcome area, supported by priorities for action over the next three years. In summary, we plan to:

- Improve the quality of information on housing need in the region, so future investment decisions can be made on a robust and shared understanding of the 'social housing problem'.

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- Take a leadership role in building sector capacity and encouraging greater investment in social housing
- begin discussions about joined-up housing allocation and strategic asset management processes with our major social housing partner HNZN
- Continue to work closely with our social housing partners to eliminate homelessness in Wellington city

Outcome Area 5 : Strong Social Housing Partnerships		
Our Goal	10 year Strategic Objectives	Priorities over the next 3 years
Wellington city will be part of a vibrant and growing social housing sector that shares responsibility for addressing housing need	5.1 Reduce pressure on Wellington city's housing assets by helping other providers to grow their social housing capacity	5.1.1 Support the growth aspirations of Wellington city's social housing partners
		5.1.2 Provide practical support to social housing partners through, for instance, skills transfer and asset management systems support
	5.2 Improve the effectiveness of the social housing sector by reducing duplication and promoting greater role clarity	5.2.1 Liaise with HNZN and other social housing providers to ensure that changes to CH's assets complement those planned by other agencies
		5.2.2 Initiate discussions with MSD, HNZN and other social housing providers with a view to improving access to social housing by end 2015
	5.3 Improve opportunities for social housing consumers to find affordable housing in the private sector	5.3.1 Work in partnership with regional housing providers to develop housing pathway options for City Housing tenants.
	5.4 Take a regional view of social housing need and how to solve it	5.4.1 Participate in the development of a Wellington City Housing Strategy by 2014
		5.4.2 Work with other local authorities in the region to ensure a comprehensive assessment of housing need in the wider Wellington region is undertaken as data from the 2013 census becomes available.
	5.5 Work with our partners to eliminate homelessness in Wellington	5.5.1 Maintain support for the Downtown Community Mission, <i>Project Margin</i> and other homelessness initiatives (refer Te Mahana: A strategy to end homelessness in Wellington by 2020)

Key performance indicators 2013-23

- City Housing to be an active participant in existing social housing networks
- Undertake at least one initiative each year that explicitly supports the social housing sector

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7. SUMMARY AND CONCLUSIONS

City Housing has grown and developed during the five years since the signing of the partnership agreement with the Crown in 2008, with greater expertise in asset and tenancy management, community development and project management. The innovation and skills of the City Housing staff have resulted in a number of local, national and international awards for architecture, project management, engagement and community development and social housing service delivery.

The ring fenced income from rents and the Crown grant means that City Housing is in a reasonably advantaged position. The Deed of Grant ensures a commitment to social housing delivery at 2008 levels until at least 2037. These conditions do much to foster a long term strategic planning approach. However there are still the challenges of forecasting demand and financial sustainability to be overcome.

In 2006 the Needs Analysis Report (updated in 2009) suggested that demand for social housing would grow across all target groups and age bands for the next 20 years resulting in City Housing's percentage share of housing provision diminishing. It also suggested a shift in household types over time to a greater proportion of small families requiring assistance. This led CH to plan, via the HUP programme, to reduce the number of single person units in the portfolio in favour of more one and two bedroom units which provide the flexibility to assist several household types. The lack of recent census data is problematic but it now seems that the demand forecasts predicted in 2006 may not be eventuating. A better understanding of future demand, and the sector's likely response, is required for City Housing to make smart asset decisions.

The other great challenges facing City Housing are the financial sustainability of the portfolio and rental affordability for tenants. The HUP budget has come under pressure from the global financial crisis, the effects of the Christchurch earthquake (such as insurance, construction and compliance costs) and the 2010 increase in GST. While rents have flattened out in the past two years, the improved quality and amenity has lifted post-upgrade rents and increased the uptake of the Affordable Rent Limit subsidy. The risk is that we are unable to continue the current rental policy setting of 70% of market because it will not realise income sufficient for the long-term financial sustainability of the service. In order to meet these challenges City Housing needs to further innovate and modify its business model.

This strategy maps out a pathway for strengthening City Housing's position as a provider of quality social housing in the city. In order for City Housing to move from strategy to implementation a number of changes need to occur and several pieces of work need to be undertaken.

By adopting this Asset Strategy the Council is committing to the development of best practice asset management plans that assist the business in effectively housing low income Wellingtonians. These will direct divestment (and acquisition) decisions, typology mix, location as well as renewals and planned maintenance programmes.

In 2006, pre-HUP, it was estimated that the social housing provision in Wellington city was meeting 44% of need. With City Housing only planning to maintain 2008 levels of provision (i.e. housing around 4,000 people) and demand forecast to grow, a sector wide approach will be required. At the same time the future of local government in the Wellington region is being debated and the proposed city and regionally focussed initiatives required to achieve these outcomes may need to be modified.

25/07/2013

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City Housing Portfolio Assessment Framework

September 2014



City Housing Portfolio Assessment Framework

Table of Contents

1. Introduction
 2. Portfolio Assessment Matrix
 3. Assessment Process
- Appendix I: Portfolio Assessment Matrix
- Appendix II: Sample Assessments

1. Introduction

The Portfolio Assessment Framework will enable City Housing to objectively assess and compare properties in the present and potential future social housing portfolio, to ensure the Council is well placed to meet its strategic objectives. Any divestments will be balanced with developments or acquisitions in order to maintain the level of social housing, as agreed to in the Deed of Grant with the Crown.

City Housing has developed the Portfolio Assessment Framework as a tool to assist in the continuous improvement of the performance of the Council's social housing portfolio. The application of the Framework will ensure rigor in the process of aligning our portfolio and reduce risk. The Framework also ensures that the Council has a standardised, objective approach for decision making related to the continuous improvement of the Council's social housing portfolio.

1.2 Background

- City Housing is in Year 7 of its 20 year Housing Upgrade Programme
- The first tranche of the Housing Upgrade Programme concentrated on high density complexes with seismic upgrade being the priority.
- 35% of units will have been upgraded by the end of 2014
- A further 15% are in the planning stages now (Kotuku and Arlington)
- Remaining 50% (approx. 1100 units) are low-medium density
- The remainder of the portfolio includes sites that require upgrade, sites that may be suitable for intensification and sites that may be considered for divestment.

1.3 Portfolio Assessment driven by the City Housing Asset Strategy

The Portfolio Assessment Framework links to two key Outcomes and 20 year Goals in the City Housing Asset Strategy 2013-33:

	Outcome Area	20-Year Goal
1	Housing Alignment	Wellington city will have the right assets in the right place to deliver its housing mission
2	Housing Quality	Wellington city's housing asset will be fit for purpose and deliver modern levels of amenity

The asset related principles in the Asset Strategy have been reflected in the assessment tool. These are:

- Location – Housing should be well located i.e. close to public transportation routes and essential services
- Design – Housing should be maintained and renewed to contemporary, functional design standards in terms of access, aspect, security, use of space, health and safety, energy efficiency and use of materials
- Stock matched to demand – City Housing should be able to respond to demand from different sized and type of households
- Adaptability – Housing should be capable of responding to the needs of people with different cultural backgrounds, different physical abilities etc
- Value retention – The Council's investment in housing should retain value over time.

The 10 year strategic objective of the Asset Strategy that relates to this framework is:

1.3 Recycle *capital tied up in poorly matched and underperforming housing assets*.

The specific action to achieve this objective is

1.3.1 *“Develop and gain approval for a disposal strategy that targets poor performing assets”*

1.4 Links to Other Initiatives

The Portfolio Assessment Framework will take into consideration:

- Wellington Urban Growth Plan
- Wellington Housing Accord
- Voluntary Warrant of Fitness for private and council rental housing

- Housing New Zealand Regional Action Plan

1.5 Deed of Grant Restrictions

- The Deed of Grant with the Crown requires that we stay in social housing to approximately the same level.
- Any funds released by divestment must be re-invested in social housing
- Any properties identified for divestment must be offered to Housing New Zealand Corporation.

2. Portfolio Assessment Matrix

The Assessment Matrix has been designed to assess any property type from a single standalone house through to a multi-unit site, and reflects the asset-related principles contained in the City Housing Asset Strategy.

The criteria are split into Non-Financial and Financial sections, as set out in summary in the table below:

Criteria	Characteristics	Scoring
<i>Non-Financial Criteria</i>		
Demand	Vacancy rates, future demand, time to re-let	15%
Location	Proximity to services, reference to Urban Development Strategy	5%
Typology	Efficient clusters, site environment, site maintenance	15%
Design / Condition / Adaptability	Can meet Design Guidelines, potential for development	15%
<i>Financial Criteria</i>		
Financial	Highest and best use	35%
Tenant Affordability	Rent and associated costs affordable for priority groups	15%

The full Portfolio Assessment Matrix is attached as Appendix 1.

3. Assessment Process

1.	<p>All assets in the City Housing portfolio will be assessed using the Assessment Matrix. The score each asset achieves will be used as a guide (rather than an absolute) to decision making.</p> <p>This process will identify three broad groups of assets:</p> <ul style="list-style-type: none"> • Assets to retain (and upgrade as necessary) • Assets to retain and develop/intensify • Assets for divestment
2.	<p>These groups of Assets will be managed in the following ways:</p> <ul style="list-style-type: none"> • Assets for retention – will be confirmed as part of the portfolio and will be scheduled for renewal and upgrade as part of the <i>City Housing Service Delivery Plan</i> by 2027. • Assets for retention and development – will have a detailed property assessment carried out. • Assets for divestment – will have a detailed property assessment carried out.
3.	<p>If the detailed assessments show that Divestment or Development is not the recommended approach then treatment of the asset will be re-assessed.</p>
4.	<p>The results of all of these assessments will then be collated in tranches. City Housing will review each tranche to ensure that the proposed divestments and developments will create a balanced portfolio in terms of location and typology, and that bed numbers remain at approximately the same level. Properties identified for divestment in each tranche of assessments will be presented to the Community, Sport and Recreation Committee for approval.</p>
5.	<p>If required, we will consider any acquisitions needed to balance the portfolio – these will have the same assessment methodology applied.</p>
6.	<p>Under the Deed of Grant the Council is required to offer properties nominated for divestment to Housing New Zealand Corporation and to reinvest any funds released by divestments into the social housing portfolio. Council is also bound by the offer-back obligations of the Public Works Act 1981.</p>
7.	<p>Portfolio Assessment will be an iterative process – this Framework will be reviewed from time to time and the portfolio reassessed using any changed criteria, so that we continue to improve our portfolio.</p>

Appendix I: Portfolio Assessment Matrix

See the attached PDF: **Appendix I-Matrix**

Appendix 2 Sample Assessments

See the attached PDF: **Appendix II-Samples**

Appendix I
City Housing - Portfolio Assessment Matrix

Assessment Matrix to assess Wellington City Council's social housing assets

Application to: City Housing Schedule of Properties
For multi-unit properties, score should be based on broad averages across the units

Criteria	Characteristics	Specifics	Score 1 = low to 5 = high*	Weight %	Weighted Score
Demand	NOTE: Demand is a function of location, affordability, typology and quality.				
Locations	Timeliness for re-lettings Few offers required	Re-let within one month Typically let with less than 3 offers by WCC	3.00	15%	0.45
	Low vacancy	Not more than 4 weeks per year			
	Forecast demand / demographics	Consistent with census data profile			
	Proximity to public transport, schools, amenities, services	High (5) - Central Miramar, Kilbirnie, Newtown, Mt Cook, Central City, Johnsonville, Newlands, Tawa	3.00	5%	0.15
Typology (site and improvements)	Fit with Council Urban Development Strategy (growth spine concept)	Neutral - [3] Low (1) - Miramar North, Karori, Wilton, Wadestown, Khandallah			
	Preference for multi-unit properties and clusters	Up to 50 units on one site or adjacent site/s	2.00	15%	0.30
	Studios through to 4 bedroom units	Diversity for each community			
	Council target market/policy	Must not exclude more than 2 WCC priority groups (current policy: fit elderly, refugees/migrants, low level psychiatric, disadvantaged, disabled)			
Design, Condition, Adaptability	Site environment	Ideally accessible, good aspect, sun, views			
	Site maintenance	Limited site maintenance required (by tenant and/or Council)			
	High level review indicates Property meets (or is able to) City Housing Design Guidelines (criteria taken from HUP Work Programme June 2013)	Safe Secure Healthy Essential Amenities Improved Access Landscaping Community Renewal Servicing	4.00	15%	0.60
	Potential for higher utilisation	Potential to build out and/or up			
Sub-total (Physical attributes)			2.50	50%	1.50
Financial	City Housing will represent "highest and best use"	Market value/bed less than (\$xx,xxx/bed) as current and following estimated capex	2.50	35%	0.88
Tenant Affordability		Capital expenditure requirement (ideally not more than 30% of existing asset value)			
		Gross return on Asset Value - current/potential			
		General repairs and maintenance spend less than (% of asset value, \$/bed)			
	Rent affordable for target market	Est. market rents @ 70% ≤ 30% typical household income	1.00	15%	0.15
Sub-total (Financial attributes)	Other costs - e.g. public transport, utilities	Not more than typical			
			2.50	50%	1.03
Total			5.00	100%	2.53
Summary					
Current market value	\$125,000	Current market value ratio	Max	Score	Score %
Portfolio benchmark value	\$100,000		1.25 : 1		
		Non Financial Attributes	2.50	1.50	60%
		Financial Attributes	2.50	1.03	41%
		TOTAL (Combined)	5.00	2.53	51%
		Retain		> 2.5	
		Divest		< 2.5	

Appendix II
City Housing - Portfolio Assessment Matrix Samples

Criteria	Characteristics	Specifics	Score 1 low to 5 high	Weight %	Weighted Score	Standalone 2 storey 2 bir villa located in light commercial area	5 x 1 bdrm units in good condition in Northern suburbs	Weighted Score
Demand	Timeliness for re-lettings	Re-let within one month		15%	-	3.00	2.00	0.30
	Few offers required	Typically let with less than 3 offers by WCC						
	Low vacancy	Not more than 4 weeks per year						
	Forecast demand / demographics	Consistent with census data profile						
Locations	Proximity to public transport, schools, amenities, services	High (5) - Central Miramar, Kilbirnie, Newtown, Mt Cook, Central City, Johnsonville, Newlands, Tawa		5%	-	5.00	1.00	0.05
	Fit with Council Urban Development Strategy	Neutral - [3]						
		Low (1) - Miramar North, Karori, Wilton, Wadestown, Khandallah						
Typology (site and improvements)	Preference for multi-unit properties and clusters	50/+ units on one site or adjacent site/s		15%	-	2.00	2.00	0.30
	Studios through to 4 bedroom units	Diversity for each community						
	Council target market/policy	Must not exclude more than [2] WCC priority groups (current policy: fit elderly, refugees/migrants, low level psychiatric, disadvantaged, disabled)						
	Site environment	Ideally accessible, good aspect, sun, views						
Design, Condition, Adaptability	Site Maintenance	Limited site maintenance required (by tenant and/or Council)		15%	-	1.00	3.50	0.53
	High level review indicates Property meets (or is able to) City Housing Design Guidelines (criteria taken from HUP Work Programme June 2013)	Safe Secure Healthy Essential Amenities Improved Access Landscaping Community Renewal Servicing						
	Potential for higher utilisation	Potential to build out and/or up						
Sub-total (Physical attributes)			2.50	50%	-	1.15		1.18
Financial	City Housing will represent "highest and best use"	Market value/bed less than (\$xx,xxx/bed) as current and following estimated capex		35%		1.00	3.50	1.23
		Capital expenditure requirement (ideally not more than 30% of existing asset value)						
		Gross return on Asset Value - current/potential						
		General repairs and maintenance spend less than (% of asset value, \$/bed)						
Tenant Affordability	Rent affordable for target market	Est. market rents @ 70% ≤ 30% typical household income		15%	-	3.00	3.00	0.45
	Other costs - e.g. public transport, utilities	Not more than typical						
Sub-total (Financial attributes)			2.50	50%	-	0.80		1.68
Total			5.00	100%	-	1.95		2.85
			Score parameters Retain Divest	> 2.5 < 2.5		Divest	Retain	

SOCIAL AND RECREATION FUND - AUGUST 2014

Purpose

1. Provides recommendations for the distribution of the Council's Social and Recreation Fund.

Summary

2. The Council provides grants to assist community groups to undertake projects that meet community needs. Grants are also a mechanism for achieving the Council's objectives and strategic priorities, especially those priorities that rely on community organisations carrying out specific activities.
3. The 2013 review of the grant criteria proposed a move away from generic criteria in favour of specific criteria for each fund. While each pool may share a number of criteria, others would be tailored to suit the particular demands of that community of interest and relevant Council outcomes.

Recommendations

That the Community, Sport and Recreation Committee:

1. Receive the information.
2. Agree to fund the applicants as listed below:

Appl No	Organisation Name	Project Description	Total Cost	Amount Requested	Recommended Amount	Comments
1	2020 Communications Trust	Their Names Shall Live	\$11,000.00	\$5,000.00	\$5,000.00	World War One Commemoration - local histories and connecting with young people
2	Aro Valley Community Council Inc	English for Speakers of other languages	\$12,157.00	\$10,000.00	\$5,000.00	Supporting local community building, provides mothers with young children an opportunity to access ESL classes
3	Athletics Wellington	Get Set Go for Clubs and the Community	\$6,550.00	\$5,150.00	\$4,500.00	Supports physically active communities encouraging health and well-being, target communities of interest, including youth and seniors.

**COMMUNITY, SPORT AND RECREATION
COMMITTEE
18 SEPTEMBER 2014**

**Absolutely Positively
Wellington City Council**
Me Heke Ki Pōneke

Item 2.2

4	Autism New Zealand	Operational Costs	\$55,511.00	\$5,576.00	\$0.00	Not a strong fit with focus of the fund, we do fund specialist holiday programme
5	Brainwave Trust Aotearoa	Early Years Last Forever public seminars	\$3,800.00	\$3,800.00	\$0.00	Not a high priority for this round
6	Brooklyn Residents Association Incorporated	Ongoing funding of Brooklyn Residents Association Incorporated	\$1,400.00	\$1,000.00	\$1,500.00	Support for Residents Association
7	Churton Park Community Association	Promotion	\$3,000.00	\$1,500.00	\$1,500.00	Support for Residents Association
8	Deaf Sport Federation New Zealand Inc	Equipment for Office	\$2,628.74	\$2,028.74	\$1,500.00	Assists with inclusion
9	Eastern Bays Scout Group	First Aid Courses	\$6,380.00	\$3,000.00	\$1,500.00	Assisting with training and updating first aid training - assists with community capacity and wellbeing
10	Fiji Football Association Wellington	FFAW_IDC_2014	\$6,866.00	\$3,826.00	\$0.00	Not wider community involvement - not a high priority for this round
11	Grace Kindergarten	Revamp Outdoor Play Area	\$21,000.00	\$1,000.00	\$0.00	Low priority , not for public good
12	Highland Park Progressive Assoc. Inc	Operational Support and Projects	\$3,429.00	\$2,572.00	\$1,500.00	Support for Residents Association
13	Inspiring Stories Trust	Live the Dream	\$150,000.00	\$10,000.00	\$9,000.00	Supports building capacity, young people being involved and wider innovation as well as providing opportunity for Social Enterprise
14	Karori Community Centre Inc	Karori Youth Centre Development Pathway	\$9,750.00	\$8,250.00	\$0.00	Replicates work already underway
15	Karori Community Toy Library Inc	Update Toy Collection	\$1,632.00	\$816.00	\$816.00	Contribution to the toy library - 50/50 split

**COMMUNITY, SPORT AND RECREATION
COMMITTEE
18 SEPTEMBER 2014**

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Me Heke Ki Pōneke

Item 2.2

16	Lions Club of Johnsonville Inc.	Public Mural	\$22,158.00	\$5,000.00	\$5,000.00	Supports Graffiti Management Policy, involves young people and provides an opportunity for education
17	Lyall Bay Surf Life Saving Club (Inc)	Wellington Surf Boat Event	\$11,850.00	\$3,850.00	\$3,850.00	Promotes personal and community safety while active in the beach environment. Also encourages an active community .
18	Miramar Playcentre	Celebrate 30 years of tamariki and whanau at Miramar Playcentre	\$8,588.50	\$7,988.00	\$3,000.00	Involves the wider community - and inclusive community celebration of 30 years
19	Parafed Wellington Incorporated	Parafed Wellington Manager Salary	\$11,880.00	\$11,880.00	\$0.00	Not a high priority for this round
20	Presbyterian Support Central	Tai Chi for the Elderly in Wellington	\$13,290.00	\$3,180.00	\$3,180.00	Supporting safety and resilience in the aged community
21	Rotary Club of Wellington	Forum on "Survive and Thrive in NGO-Land"	\$19,000.00	\$7,000.00	\$0.00	Not a high priority for this round
22	Royal Port Nicholson Yacht Club Inc	Royal Port Nicholson Yacht Club 2014 Sailing Season	\$4,009.75	\$4,009.75	\$2,000.00	Promotes water safety
23	Shakti Ethnic Women's Support Group (Wellington) Inc.	Salary subsidies for Women's Advocate	\$30,940.00	\$13,000.00	\$7,000.00	Support at risk women and children
24	Te Whare Rokiroki (Maori Women's Refuge)	Social Worker	\$47,140.00	\$20,000.00	\$10,000.00	Support for Maori women and children who experience domestic violence
25	The EnviroSchools Foundation	Taiopenga o Te Aho Tū Roa	\$1,500.00	\$1,500.00	\$1,500.00	A day event reflecting Hauora workshops using Atua Maori as the theme.Supports physical activity and Maori indigeneity as beneficial for

						holistic wellbeing
26	The Kiwi Kids Lifeskills Trust T/A The First Tee of New Zealand	First Tee Programme Delivery Wellington City	\$65,000.00	\$30,000.00	\$5,000.00	Partnering with schools and encouraging physical activity, supporting development of life skills.
27	The Scout Association of New Zealand	Growing active, resilient and cohesive communities across Wellington through SCOUTS	\$15,659.00	\$6,000.00	\$0.00	Not a priority for this round
28	Wellington Fencing Club	venue hiring fee	\$1,764.00	\$1,764.00	\$0.00	Fencing takes place in Council Facility - not eligible for support
29	Wellington Sexual Abuse HELP Foundation	Client Services Coordinator Salary	\$57,925.00	\$15,000.00	\$11,000.00	One of our partners supporting Safe City outcomes
30	Wellington Somali Council Inc	Social Worker	\$61,208.00	\$30,000.00	\$0.00	Not a priority for this round. Officers will work with the different Somali groups to develop an integrated approach for support
31	Wellington Women's Refuge Group Inc	Volunteer and Community Education	\$48,950.00	\$33,950.00	\$7,000.00	Supports women and Children who experience family violence - Supports Safe City outcomes
32	Worser Bay Life Saving Club (Inc)	Hire Paid Part Time Coach	\$4,500.00	\$4,000.00	\$3,600.00	Supports water safety and delivers on outcomes of Safe City
		Total:	\$720,465.99	\$261,640.49	\$93,946.00	

Background

- The Social and Recreation focus areas are aligned with and contribute to our strategic direction and reflect key social policies, such as the Positive Ageing Policy, Accessible Wellington Action Plan, Te Mahana and Our Volunteer Capital.
- The criteria and focus areas for the Social and Recreation Fund are included as Attachment 2.

6. In line with planning and support for commemorations of the First World War (WW100) Council has encouraged community groups to discuss and seek support for projects that support local history/interests.

Discussion

7. These funds provide grants to community organisations for projects that meet the criteria for the fund. This is first of three funding rounds for 2014-15 and there are 28 applications in this funding round with organisations requesting a total of \$261,640.
8. Officers are recommending the Committee, Sports and Recreation Committee support 22 projects with grants totalling \$93,946.
9. Recommendations (Attachment 2) are based on evidence of need, alignment with the Council's strategic goals, the fund criteria (Attachment 1) and the likely effectiveness of funding the project. Officers also take into account the management of previous funding (through accountability reports).
10. Attachment 1 lists the applicant's organisation name, a brief project description, the total project cost, amount requested and general comments from Council Officers.
11. The original information provided through online application has been made available to members of the committee.
12. The assessment process may include consultation with; the applicant, persons or organisations referred to in the application and Council officers. Applicants are given two working days where possible to respond to a request for more information.
13. To ensure funds are used appropriately, conditions may be suggested should funding be approved. This is usually in cases where applicants need to use funds for a specific aspect of their budget, to confirm with Council where activity might take place or if they are awaiting confirmation of sufficient funds from other sources

Attachments

- Attachment 1. Recommendations - Social and Recreation Fund August 2014
Attachment 2. Social and Recreation Fund Criteria

Author	Jenny Rains, Community Services Manager
Authoriser	Greg Orchard, Chief Operating Officer

SUPPORTING INFORMATION

Consultation and Engagement

N/A

Treaty of Waitangi considerations

Any application that could have implications for Maori are referred to the Treaty Relations Team for recommendations.

Financial implications

Grants are included in the Long-term Plan: 5.2.4 Social and Recreation community grants.

Policy and legislative implications

There are none.

Risks / legal

No legal implications.

Climate Change impact and considerations

N/A

Communications Plan

N/A

Wellington City Council Recommendations - Social and Recreation Fund August 2014

Attachment 1

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24	Te Whare Rokioki (Maori Women's Refuge)	Social Worker	\$47,140.00	\$20,000.00	\$10,000.00	Support for Maori women and children who experience domestic violence

Wellington City Council Recommendations - Social and Recreation Fund August 2014

Attachment 1

Appl No	Organisation Name	Project Description	Total Cost	Amount Requested	Recommended Amount	Comments
25	The EnviroSchools Foundation	Taiopenga o Te Aho Tū Roa	\$1,500.00	\$1,500.00	\$1,500.00	A day event reflecting Hauora workshops using Atua Maori as the theme. Supports physical activity and Maori indigeneity as beneficial for holistic wellbeing
26	The Kiwi Kids Lifeskills Trust T/A The First Tee of New Zealand	First Tee Programme Delivery Wellington City	\$65,000.00	\$30,000.00	\$5,000.00	encouraging physical activity, supporting development of life skills.
27	The Scout Association of New Zealand	Growing active, resilient and cohesive communities across Wellington through SCOUTS	\$15,659.00	\$6,000.00	\$0.00	Not a priority for this round
28	Wellington Fencing Club	venue hiring fee	\$1,764.00	\$1,764.00	\$0.00	Fencing takes place in Council Facility - not eligible for support
29	Wellington Sexual Abuse HELP Foundation	Client Services Coordinator Salary	\$57,925.00	\$15,000.00	\$11,000.00	One of our partners supporting Safe City outcomes
30	Wellington Somali Council Inc	Social Worker	\$61,208.00	\$30,000.00	\$0.00	Not a priority for this round. Officers will work with the different Somali groups to develop an integrated approach for support
31	Wellington Women's Refuge Group Inc	Volunteer and Community Education	\$48,950.00	\$33,950.00	\$7,000.00	Supports women and Children who experience family violence - Supports Safe City outcomes
32	Worser Bay Life Saving Club (Inc)	Hire Paid Part Time Coach	\$4,500.00	\$4,000.00	\$3,600.00	Supports water safety and delivers on outcomes of Safe City
Total:			\$720,465.99	\$261,640.49	\$93,946.00	

Criteria

The Social and Recreation Fund supports projects that contribute to our strategic direction and include scope to support social entrepreneurialism, prioritising neighbourhood activity, and supporting the strategic planning of sports codes.

Local residents and progressive associations can also be supported through this fund.

Fund objectives

Is to foster strong, sustainable communities and to support the strengthening of community capacity.

Criteria

- The project makes a positive contribution to achieving the Council's Strategic
- The project is Wellington-based and benefits the people of Wellington (exceptions may be made for projects based elsewhere in the region, but which significantly benefit Wellington City residents).
- The applicant is a legally constituted community group or organisation
- The applicant provides evidence of sound financial management, good employment practice, clear and detailed planning, clear performance measures, and reporting processes.
- The applicant outlines how physical accessibility has been built into project development.
- The applicant outlines how pricing has been set to ensure access by a wide range of people or by the intended users.
- The project should show evidence of community support, collaboration, and building partnerships with other organisations (e.g. social media interest, letters of support from other organisations/leaders).
- The applicant must show that the project discernibly improves community wellbeing and adds value to the range of similar types of services in the community.
- Māori are often over-represented in many determinants of social deprivation.
- Outline whether and how the specific needs of Māori have been incorporated into the planning of your project.
- Emergent and innovative community projects can be supported through this fund. Applicants that apply under this category will need to demonstrate the transformative nature of the project.

Focus Areas

Build capability and capacity within the community

- Priority will be given to projects that:
- Strengthen the local community, address local issues, strengthen and contribute to social wellbeing
- Support volunteers and foster skill development and training for the community.

Promote personal and community safety

- Priority will be given to projects that:
- Support community activity that enhances Wellington as an International
- Safe Community
- Support projects that enhance community safety and/or personal safety

Physically active communities encouraging health and wellbeing

PROVISIONAL LOCAL ALCOHOL POLICY APPEALS UPDATE - BRIEFING

Purpose

1. The purpose of this report is to provide the Committee the context for an oral briefing on the status of the appeals on the Provisional Local Alcohol Policy.

Summary

2. The Council received eight appeals to the Provisional Local Alcohol Policy. The appeals are set down to be heard by the Alcohol Regulatory and Licensing Authority (ARLA) in the weeks beginning October 20 and November 3. The oral briefing will outline the Council's approach to responding to the appeals and the next steps following the hearing.

Recommendation

That the Community, Sport and Recreation Committee:

1. Receive the information.

Background

3. The Alcohol Management Strategy and Provisional Local Alcohol Policy were adopted by the Council on October 3, 2013. The Strategy and Provisional Policy were developed following a comprehensive community engagement programme over the first half of 2013. The documents provide a strategic context and guidance to decision-makers in applying the Sale and Supply of Alcohol Act 2012, one that acknowledges the inherent difficulties of striking an acceptable balance between minimising the alcohol-related harm and setting our sights for a safer and more vibrant late-night economy.
4. Key elements of the Provisional Policy include:
 - A 'risk management framework' to guide decision-makers assess the suitability of applicants (both on-licence and off-licence) for late-trading. Late trading is defined as trading beyond 3am for on-licence and trading past 8pm for off-licence
 - Central area on-licence maximum trading hours of 7am-5am the following day
 - Suburban on-licence maximum trading hours of 7am-1am the following day
 - Off-licence maximum trading hours of 7am-11pm
 - Central Area and Southern Zone identification as areas in the city with specific alcohol management needs derived from a mix of location-specific, alcohol-related harm data, and international best practice.
 - Density and proximity hearing triggers that alert decision-makers to the need for closer examination (via public hearing) of issues related to location, level of assessed risk, proximity (within 100m or adjacent) to sensitive facilities.
 - Clear information on public notification and participation

5. Key elements of the strategy include:
 - An implementation plan that addresses issues related to:
 - Pre-loading and side-loading
 - Late-night activity in the central city
 - Alcohol availability, events and sector collaboration
6. Key initiatives include:
 - A voluntary six-month trial of off-licence closing at 9pm for the central area and southern suburbs, on Friday and Saturday nights.
 - An initiative to explore regulatory and educational tools to encourage greater responsibility and ensure Wellington is a safe and vibrant entertainment destination.
7. On January 21, the Council publically notified its Provisional Local Alcohol Policy. The appeal period closed on February 21 and 8 appeals to our policy were received by ARLA. ARLA is the body that receives and will determine all appeals. The appellants were:
 - (a) Progressive - challenging density and proximity provisions
 - (b) Foodstuffs - challenging density and proximity provisions
 - (c) Super Liquor - challenging density and proximity provisions
 - (d) CCDHB - challenging trading hour provisions
 - (e) Police - challenging trading hour provisions and promoting one-way door
 - (f) Medical Officer of Health - trading hour provisions
 - (g) Inner City Association - trading hour provisions
 - (h) Chow Group - challenging the differentiation between brothels and strip clubs
8. The appeals are set down to be heard by the Alcohol Regulatory and Licensing Authority (ARLA) in the weeks beginning October 20 and November 3.

Attachments

Nil

Author	Jaime Dyhrberg, Service Development and Improvements Manager
Authoriser	Greg Orchard, Chief Operating Officer

SUPPORTING INFORMATION

Consultation and Engagement

This is an oral briefing with no consultation.

Treaty of Waitangi considerations

There are no Treaty of Waitangi implications emerging from this report.

Financial implications

This is an oral briefing with no financial elements.

Policy and legislative implications

This is an oral briefing with no policy implications.

Risks / legal

This is an oral briefing with no climate change impacts.

Climate Change impact and considerations

This is an oral briefing with no climate change impacts.

Communications Plan

There is no communications plan attached to this briefing.

PRESENTATION UNICEF CHILD FRIENDLY CITIES - WELLINGTON AS A CHILD FRIENDLY CITY

Purpose

1. To give an oral presentation providing an overview of the accreditation mechanisms for the UNICEF Child Friendly Cities Initiative, and
2. Provide information on how well-placed Wellington is to proceed towards accreditation

Summary

3. Cities' register an intention to become a child friendly city and report regularly on progress towards meeting the criteria for and hence accreditation as, a child friendly city. On registration with the UNICEF NZ Child Friendly City initiative cities will be listed on the UNICEF NZ Child Friendly Cities website and can use the Child Friendly Cities logo on their own websites.
4. UNICEF is still developing a specific New Zealand framework to guide councils and communities which it anticipates publishing by the end of September 2014. However it is clear that that self-assessment by cities will be an important part of the accreditation. Wellington City Council incorporates child friendliness as a fundamental or a mainstreamed element in the design and delivery policies and services. However the city is likely to benefit from a more joined-up cross-Council approach to child friendly outcomes encompassed in the UNICEF Child Friendly City Framework.

Recommendation

That the Community, Sport and Recreation Committee:

1. Receive the information.

Background

5. In May 2014 UNICEF briefed the Mayor in its mandate to promote children's rights interests, and proposed Wellington City explores the possibility of becoming an accredited UNICEF Child Friendly City.

Discussion

6. This is an oral briefing to provide information on the mechanism, and criteria on becoming an accredited UNICEF Child Friendly City.

Attachments

Nil

Author	Jenny Rains, Community Services Manager
Authoriser	Greg Orchard, Chief Operating Officer

SUPPORTING INFORMATION

Consultation and Engagement

This is an oral briefing with no consultation

Treaty of Waitangi considerations

There are no Treaty of Waitangi implications emerging from this report.

Financial implications

This is an oral briefing with no financial elements.

Policy and legislative implications

This is an oral briefing with no policy implications

Risks / legal

This is an oral briefing with no climate change impacts.

Climate Change impact and considerations

This is an oral briefing with no climate change impacts

Communications Plan

There is no communications plan attached to this briefing.

PROPOSED LEASE AT KARORI PARK - MUDDY TRACKS LTD

Purpose

1. To recommend the Committee approves a new lease of the former Terawhiti Bowling Club building at Karori Park (approximately 412m²) to Muddy Tracks Limited (trading as Mud Cycles).

Summary

2. Officers recommend a new lease is granted to Muddy Tracks Ltd (trading as Mud Cycles), consistent with the *Leases Policy for Community and Recreation Groups*, and under Section 54(1)(d) of the Reserves Act 1977.
3. Mud Cycles is a commercial retailer which sells and hires mountain bikes at its nearby store. Its lease at 421 Karori Road, Karori is due to expire shortly. The landlord has plans to redevelop the site and is not prepared to extend the lease.
4. Mud Cycles has proposed to move its operations to the former Terawhiti Bowling Club, Karori Park, Karori (see Attachment 1 for a map of the proposed leased area).
5. The group has been in existence (in one form or another) for the past twenty years and hope to increase and expand its involvement with Karori's community and outdoor spaces.

Recommendations

That the Community, Sport and Recreation Committee:

1. Receives the information.
2. Agrees to grant a new lease of *part of* Part Section 41 Karori District, held in gazette 1989 page 4482 under the Reserves Act 1997 (subject to the usual terms and conditions noted below).
3. Notes that any approval to grant the lease is conditional on:
 - (a) appropriate iwi consultation;
 - (b) public notification under s119 and s120 Reserves Act 1977;
 - (c) no sustained objections resulting from the above and notification; and
 - (d) legal and advertising costs being met by the Lessee

Background

6. Terawhiti Bowling Club leased the site in 1940s and subsequently built its clubrooms (opened circa 1955).
7. However, due to dwindling numbers, the club ceased operations and handed the building over to Council in 2013.
8. In July last year, officers sought expressions of interest from groups seeking to take over the building. Over the following few months, a number of responses were received and discussions with interested parties were held.
9. Later that year, in December, officers updated Councillors via email on progress and next steps. By that stage, Mud Cycles had emerged as the group most likely to provide

a sustainable long term use of the property as well as contributing to the Council's recreation outcomes.

Discussion

10. Mud Cycles is a retailer that offers a range of mountain bike services (bike hire, sale of new and used bikes, bike repairs and maintenance and sale of bike accessories). It currently operates out of a nearby privately owned property. In addition to retail, hire and mechanics, Mud Cycles is one of Wellington's unofficial mountain bike headquarters providing advice and information to locals and tourists.
11. Unfortunately the landlord has redevelopment plans and therefore will not extend Mud Cycles' lease beyond expiry early next year.
12. For a variety of reasons (supply, zoning, public preference etc) alternative retail sites within Karori are limited, hence the request to lease Council land.
13. If the committee approves a lease, Mud Cycles would need to submit a resource consent application. Any resource consent application will be subject to a separate regulatory process – this paper relates to Council in its land-owning and reserve administrator capacity only.
14. The group has had informal discussions with nearby property owners and received broadly positive feedback. In the event that Council approves a lease to Mud Cycles, further consultation would follow.
15. The group would ideally like to secure a lease (and resource consent) in time to fit-out the premises and move in during May 2015.
16. Proposed buildings modifications would largely be internal, and include:
 - (a) retaining and displaying the Terawhiti Bowling Club's Roll of Honour Boards;
 - (b) providing separate external access to existing toilets/changing rooms and making these available to community and recreation groups;
 - (c) provide public access to the showers for a small cost;
 - (d) provide secure lockers for short term hire; and
 - (e) provide storage to community and recreation groups underneath the premises.
17. Mud Cycles has expressed longer term aims to include a community garden and a beginner cycling skills area onsite. However, these ideas are currently at concept stage and further investigation is needed.
18. Mud Cycles satisfies the conditions laid out in section 8.8 of the *Leases Policy for Community and Recreation Groups* for commercial activities on recreation reserve insofar as it would enable the public to obtain the benefit and enjoyment of the reserve.
19. The proposed terms of the lease are as follows:
 - (a) Lease Type: Premises
 - (b) Lease Term: 10 + 10 years
 - (c) Final Expiry: 30 April 2035
 - (d) Activity: Cycle workshop, bike hirer and retailer

Conclusion

20. Officers recommend that the Community, Sport and Recreation approve the lease to Muddy Tracks Limited.

Attachments

Attachment 1. Proposed Leased Area

Authors	Grace Clapperton-Rees, Property Advisor Tracy Morrah, Property Services Manager
Authoriser	Greg Orchard, Chief Operating Officer

Item 2.5

SUPPORTING INFORMATION

Consultation and Engagement

Public consultation will be undertaken as required under the Reserves Act 1977.

Treaty of Waitangi considerations

There are no Treaty of Waitangi considerations.

Financial implications

The proposed rental will be in line with a market valuation – this income will support future building maintenance, with surplus income targeted to the maintenance of mountain biking tracks in the area.

Policy and legislative implications

The proposed lease will be consistent with the objectives of the *Leases Policy for Community and Recreation Groups* which are:

- ensure maximum community benefit is derived from Council-owned land and buildings;
- strengthen participation and engagement in community and recreational activities; and
- ensure leases are managed fairly, processes are transparent and Council officers have the flexibility to respond to community needs

Risks / legal

The proposed lease will be subject to the provisions of the Reserves Act 1977 and the Leases Policy for Community and Recreation Groups.

Climate Change impact and considerations

The proposed lease will have no substantial Climate Change impact

