

Wellington City Council

Draft Social Housing Policy

November 2009

DRAFT

1. Introduction

Wellington City Council is committed to the provision of social housing at below market rents for those households who experience barriers to accessing appropriate housing.

Wellington City Council will work in partnership with the Government to deliver on this commitment. The Council signed a Deed of Grant with the Crown in 2007 which outlines a programme of funding to upgrade the Council's housing stock in exchange for an on-going commitment from the Council to provide social housing at a good standard for at least 30 years. The rents will both be affordable for tenants on low incomes as well as being at a sufficient level to generate enough revenue to maintain the homes to a good standard for modern living.

In light of the requirements in the Deed of Grant, the Council agreed to review its policies around social housing. This Social Housing Policy focuses on how we allocate homes to potential tenants, how we set rents and how we manage the tenancies.

The policy provides:

- the Council's vision for social housing – including purpose, objectives and principles
- the context for social housing in Wellington and its key challenges
- the principles in action – how the Council will implement those principles.

2. Our vision

Wellington City Council's vision is for Wellington to be a vibrant, internationally competitive and affordable city. Our community have told us their aspirations for the city which are outlined in the Long-Term Council Community Plan 2009-19. These include social services, especially health and housing, being affordable, available and accessible to all Wellingtonians.

The Council has responded to this aspiration within the Social and Recreation strategic area which aims to build strong, safe and healthy communities. The Council's ambition is for all Wellingtonians to have access to accommodation that is fit for purpose. One of the Council's roles in contributing to this aim is to provide some social housing for people who otherwise have barriers to accessing appropriate and affordable accommodation.

Purpose

The purpose of the Council's housing provision is to provide social housing for a minimum of 30 years to Wellington residents.

Objectives for social housing

The Wellington City Council aims to provide:

- appropriate and affordable housing to low-income households who otherwise have barriers to accessing housing
- safe and secure housing to a good standard
- 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 well-being and to contribute to and benefit from living in Wellington

To achieve these objectives, the following principles will guide our decision-making and the way we work.

Principles

- Work in partnership to improve the lives of tenants
- Ensure the housing portfolio is financially sustainable into the future and affordable for tenants
- Respond to demand for social housing equitably and efficiently
- Commitment to resilient and cohesive communities
- Provide a high quality service to tenants

3. Context

Wellington City Council is the largest social housing provider in the city with 2,352 units. This represents 3.4% of all the residential dwellings and 8.3% of all rental dwellings in Wellington. This means the Council is a major player in the city's housing market. Housing New Zealand Corporation (HNZC) is the other major provider of social housing in Wellington with 1896 dwellings. A further 104 units are provided by non-profit community based initiatives focusing on targeted accommodation for people with mental health disabilities, emergency and respite.

The Council's housing stock is predominantly comprised of bedsits and one bedroom units (71.3%). HNZC however provides mostly two and three bedroom accommodation (78.8%). Consequently the Council houses mostly single people and couples without children. About 20% of the Council's stock houses children which amounts to about 900 children overall. After the housing upgrade is complete in 20 years, it is expected the number of bedsits and one bedroom units will decrease slightly, however they will still comprise a significant portion of the stock.

Wellington City Council in partnership with Housing New Zealand are implementing a 20 year programme to upgrade all of the Council's housing

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stock to a good condition. After this programme is complete there will be significantly less bedsits but many more one and two bedroom units and a few more three and four bedroom units. The number of units overall will decrease slightly, but the stock will better reflect modern living standards.

See Appendix A for more information about the social housing stock, demographics and housing need in Wellington.

4. Challenges we face

In providing social housing, Wellington City Council faces the following challenges:

- **Affordability:** Less people are owning their own homes in Wellington because house prices are becoming increasingly unaffordable. At the same time the population is growing and most of the growth in the Wellington region will occur in Central Wellington. Therefore the majority of growth will be in the rental market.
- **Increasing numbers of households in housing need** – In Wellington the main causes of need are affordability, sustainability of tenancies in the private sector and accessibility barriers tied to discrimination. This growth is primarily expected in over 45s and one parent and one person households.
- **Limited type of stock** – While Wellington City Council's ambition is to house all households in need, the reality is that the Council's stock is predominantly made up of bedsits and one bedroom units (71.3%). This limits the types of households the Council can assist with their housing needs.
- **Aging population** – While Wellington has a relatively young age profile, the number of older people is expected to increase. It is likely there will be increasing numbers of older people experiencing difficulty accessing housing.

5. Working in partnership

There are many agencies with a role that contributes to affordable housing in Wellington and to support Council tenants. Wellington City Council does not wish to duplicate services but rather, work in partnership with other agencies. Working in partnership is critical in assisting those who need help, building strong and safe communities and improving the well-being of tenants.

Wellington City Council will foster and promote partnerships with the following organisations and individuals in order to achieve its objectives around social housing:

- **Housing New Zealand Corporation** – provides 1896 social housing units in Wellington and has a strategic role in the provision of social housing. Many of the households in housing need that cannot be helped by the Council will be suitable for Housing New Zealand assistance because of the different types of stock available.

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- **Other social housing providers** – other non-profit organisations specialise in providing housing for those with high support needs and emergencies.
- **Work and Income New Zealand** – over 80% of the Council's tenants receives benefits from the Government. The Council will work with WINZ to ensure tenants receive all of the benefits they are entitled to.
- **Support services** – The Council houses some tenants with various support needs. The Council will make sure people who require assistance and support are connected with the relevant agencies and government departments.
- **Wellington Housing Forum** – the purpose of the forum is to bring organisations together to improve housing situations for people with unmet housing needs in Wellington. The forum is made up of a mixture of groups representing a variety of interests relating to social housing in the Wellington City area.
- **Community Action** – a grant funded programme which aims to address the social needs of tenant communities by encouraging and developing a sense of place and enhancing community and individual wellbeing.
- **Tenants** the Wellington Housing Association of Tenants (WHAT) has a formal agreement with the Council to be the joint voice of tenants. The Council will also consult directly with tenants on matters that are relevant to them.

6. Financially sustainable and affordable

Wellington City Council is committed to providing approximately 2,300 social housing units that are both affordable for tenants as well as safe, secure and to a good standard. The Council is funding an upgrade of all of its housing stock to meet this standard with a grant from the Government. After this upgrade work is complete, the Council will continue to invest in the stock to maintain it at a good standard. This on-going upgrade work will be funded from income generated from rents which will be ring fenced for the purpose of funding the housing portfolio. This means the Council needs to generate enough income from rents to sustain all of the homes to a good standard.

Rent setting

Rents will be set at 70% of market rent and will be reviewed annually. This means the Council's social housing will remain affordable for tenants as well as enabling the Council to continue to provide social housing in a reasonable condition at current levels for at least 30 years.

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Rent relief provisions

Affordable rents are a critical feature of social housing. As a safety net, the Council uses the following mechanisms to ensure rents remain affordable:

- Following the annual rent review, there is a maximum rent increase of \$20 per week for a single tenant and \$30 for two or more adult tenants. These caps stay in place until the next rent review
- affordable rent limit - consideration of a rent reduction for any tenant whose rent exceeds 35% of net household income (not including the disability allowance) after tax and after Accommodation Supplement entitlement has been received
- no rent increases for tenants over 80 years of age

In effect all tenants will either be paying 70% of the market value of their property or 35% of their income, whichever is lower.

The Council will adjust the maximum rent increases in line with inflation and average incomes every three years. The income of most Council tenants increases each year at the rate of inflation. Carrying out these reviews every three years means that the caps do not lag to any great extent (particularly while inflation is low).

7. Responding to demand

Wellington City Council is not able to house all households who require social housing because the stock is limited. The social housing portfolio is for people who face barriers in accessing housing in the private sector, particularly on the basis of affordability. Consequently, the following households are eligible:

- have an income of less than 60% of the Wellington median income
- have less than \$35,000 worth of assets if aged under 50
- have less than \$50,000 worth of assets if aged over 50.

These thresholds will be reviewed every three years in line with inflation to reflect the changing incomes of tenants. Raising the income and asset thresholds will make more people eligible for social housing. Therefore, these reviews need to take into account the impact on demand for social housing given the limited stock available.

Also, for legal reasons, the Council will only consider applicants where the primary tenant:

- is at least 18 years of age
- has permanent resident status or has lodged an application for such status

All eligible applicants will undergo a needs assessment to determine their relative housing need. The following factors are considered in this assessment:

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- current tenancy or living arrangement – does the applicant have a short, fixed term, long term or no tenancy? Is their current home affordable?
- adequacy of current housing – is the applicant living in a home in poor physical condition or one that doesn't meet their needs?
- suitability of current housing – is the applicant's house size big enough for the number of occupants?
- accessibility – can the applicant access housing in the private market in the face of discrimination?
- location - is the applicant able to access social infrastructure such as community centres, shopping centres, transport links, health and education services?
- special housing needs – does the applicant have any special needs including physical disability, homelessness, substance abuse, chronic illness and domestic violence?

The assessment tool determines the level of needs of all applicants who are then placed on the housing register and are assigned a relative priority. When a housing unit becomes available, housing officers determine which household's needs are best met by that house in terms of its size, location, physical layout and proximity to support services. The housing officers consider the following factors when determining whether a home meets the needs of a particular applicant:

- household characteristics (number of people, children, older people)
- social support considerations
- special housing needs (location, access)
- tenant preferences

This means applicants are offered the best possible dwelling to meet their needs. Housing officers attempt to house the highest priority applicants first, but sometimes the available housing is not suitable for these applicants. In those cases, the homes are offered to lower priority applicants. Consideration will be given to the particular community. For example, older people often want to live in quiet neighbourhoods without families with young children nearby. Decisions are made on a case by case basis taking into account the specific needs of each potential tenant and community. The Council will not house applicants if they are a risk to themselves or to others.

Wellington City Council's housing stock is limited in type and location. Most of the dwellings are bedsits and one bedroom. Consequently most of the current tenants are single people living alone and couples without children. Housing New Zealand Corporation on the other hand has mostly two and three bedroom dwellings, as well as lower income and asset thresholds and cheaper rents. This means that Housing New Zealand Corporation is better able to assist larger households with different housing needs. These factors limit the type of households the Council can assist with their housing.

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Given these constraints, Wellington City Council is best suited to house single people and small families particularly from the following groups:

- The fit elderly: Those able to maintain an independent lifestyle at the time of application
- Refugees and migrants: Recently arrived either through the quota or asylum seekers accepted by the immigration service as refugees and people entering the country under the humanitarian or family reunification categories
- Low level psychiatric: Those people able to maintain an independent lifestyle with minimum supervision and support
- Multiple disadvantaged: Households with a number of problems that make them vulnerable in the housing market
- People with physical disabilities: People with specific accommodation needs arising from a disability

The Wellington City Council recognises that applicants often have preferences as to where they wish to live. The Council aims to satisfy these preferences, however the availability of suitable stock will determine the extent to which those preferences can be met.

8. Resilient and cohesive communities

Resilient and cohesive communities are places where those who live there feel safe and secure and contribute to and benefit from a rich and varied life. Resilience requires stability in the community. While the Council's social housing is not intended as a permanent solution to the problems many people experience accessing housing, the Council recognises that it is in the best interest of the community if some tenants are living in our homes long-term.

Moving on from social housing

Wellington City Council's goal is to create communities that are safe and secure and contribute to a rich and varied life for those who live there. The Council's social housing is intended for those who cannot afford a home in the private housing market. Many tenants will stay in our homes long-term. The average tenancy is 6.6 years with many tenants staying only one to two years and others staying twenty plus years. This level of turnover allows stability in many communities as well as ensuring enough dwellings become available for new tenants.

When tenants' circumstances change and their income or assets go above the Council's thresholds, they will no longer be eligible for Council housing. It is the tenants' obligation to advise the Council if their circumstances change. Each year the Council will ask tenants to provide information about their income and asset levels. When tenants are earning above the threshold, they will be given one year to find alternative accommodation. During this time, the tenant's circumstances may well change again. It is proposed that in these cases where a

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change means a tenant is once again below the income and asset thresholds, they will once again become eligible and will not be required to leave their home.

During this one year period rent will be increased as follows:

- to 90% of market value for those earning up to and including 20% above the income threshold
- to 100% of market value for those earning more than 20% above the income threshold

After this period tenants will be given 90 days notice to vacate their dwelling.

Each year the Council will review the income thresholds to ensure they remain at 60% of median income (using census data when it becomes available every five years and inflation every other year). Those tenants that have been assessed as earning above the old income threshold will be reassessed against the new threshold. Some tenants will become eligible once again for social housing and will not have to leave their home.

The Council will help tenants to find alternative accommodation by facilitating access to services that will provide tenants with support to identify advice and options around future steps.

Up to 5% of the Council's housing portfolio may be made available at market rental to allow for the provisions outlined above.

9. Providing a high quality service to tenants

Wellington City Council is committed to delivering its housing services in a way that:

- treats all customers fairly and equally
- treats all information given to us confidentially
- deals with enquiries quickly
- involves tenants in making decisions about how their place is managed
- recognise and involve the expertise of community and government agencies.

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Tenancy management deals with three areas:

- **Administration of tenancy agreements** – includes the management and termination of tenancies within the provisions of the Residential Tenancies Act 1986, tasks and activities associated with processing applications, establishing a tenancy agreement and ensuring the conditions of the tenancy agreement are adhered to. The latter includes such activities as maintenance, ensuring the rent is paid, annual inspections and resolving disputes.
- **Tenant support** – refers to meeting the needs of individual tenants, both in terms of housing need and other support needs.
- **Community development** – is concerned with addressing the social needs of tenant communities by encouraging and developing a sense of place and enhancing community and individual well-being.

To support these aspirations, Wellington City Council has implemented the Housing Plus and Community Action programmes.

Housing Plus

Housing Plus aims to develop tenancy management by:

- increasing the presence of tenancy managers onsite
- developing effective communications between tenancy managers and tenants
- fostering agency partnerships
- providing case management for high risk/needs tenancies.

Community Action

Community Action goals have been identified that will provide opportunities for tenants to:

- improve their physical environment and develop pride in where they live
- create and participate in a wide range of activities and initiatives
- increase their sense of safety and wellbeing
- meet others and participate in community celebrations
- develop leadership skills
- access to social and recreational programmes
- develop creative expression through a wide range of artistic endeavours
- build confidence, self reliance and a positive sense of identity
- access primary health and wellness services and information

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- contribute to the regeneration of communities
- access training and employment opportunities.

Tenant Representation

Wellington City Council recognises that it is critical that all tenants are able to contribute to and participate in decision making that effects them.

The Wellington Housing Association of Tenants (WHAT) which was established to:

- represent tenants in Council housing;
- be recognised by the Council as the formal joint voice of the tenants to the Council;
- negotiate with the Council on behalf of tenants on matters of concern;
- promote communication among tenant groups;
- support the work of tenant groups whose aims are compatible with WHAT's aims;
- work towards the tenants having control of their housing; and
- promote processes which would allow all tenants to have a say in decision making.

10. Review

This policy will be reviewed every five years. These reviews will need to consider the on-going sustainability of the housing portfolio, affordability for tenants, demand for social housing and satisfaction with the service provided by the Council.

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Appendix A: The stock, tenants and housing need in Wellington

The housing stock

Wellington City Council is the largest social housing provider in the city with 2,352 units. This represents 3.4% of all the private dwellings and 8.3% of all rental dwellings in Wellington. This means the Council is a major player in the city's housing market. Housing New Zealand Corporation (HNZC) is the other major provider of social housing in Wellington with 1896 dwellings. A further 104 units are provided by non-profit community based initiatives focusing on targeted accommodation for people with mental health disabilities, emergency and respite.

The Council's housing stock is predominantly comprised of bedsits and one bedroom units (71.3%). HNZC however provides mostly two and three bedroom accommodation (78.8%). The following table shows that the Wellington City Council and HNZC stock compliment each other by ensuring there is a broad range of social housing types available overall.

Wellington social housing dwelling type – January 2008

Number of Bedrooms	Wellington City Council		Housing Corporation New Zealand		Combined	
	No. Dwellings	% of stock	No. Dwellings	% of stock	No. Dwellings	% of stock
Bedsit	961	40.9%	41	2.2%	1002	23.6%
1	714	30.4%	304	16.0%	1018	24.0%
2	400	17.0%	933	49.2%	1333	31.4%
3	239	10.2%	562	29.6%	801	18.9%
4	28	1.2%	49	2.6%	77	1.8%
5	8	0.3%	6	0.3%	14	0.3%
6	2	0.1%	1	0.1%	3	0.1%
Total	2352	100%	1896	100%	4248	100%

Following Wellington City Council's Housing Upgrade Programme (HUP) there will be less bedsits but many more one and two bedroom units and a few more three and four bedroom units. The number of units overall will decrease slightly, but the stock will better cater to the housing needs of Wellington. The move away from bedsits to one bedroom flats reflects changes in modern living standards whereby it is not always considered appropriate to live in a bedsit. The Council will however retain some bedsits because many tenants prefer them (usually because they are cheaper) and they are more space efficient. The upgrade will take 20 years to complete.

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Wellington City Council's housing type – current and post Housing Upgrade Programme (HUP)

Housing type	No. Dwellings		% of stock	
	Current	Post HUP	Current	Post HUP
Bedsit	961	618	40.9%	28.8%
1 bedroom	714	806	30.4%	37.6%
2 bedrooms	400	430	17.0%	20.1%
3 bedrooms	239	245	10.2%	11.4%
4 bedrooms	28	35	1.2%	1.6%
5 bedrooms	8	8	0.3%	0.4%
6 bedrooms	2	2	0.1%	0.1%
Total	2352	2144	100%	100%

An analysis of the waiting list shows that the demand for Council housing is roughly proportional to the profile of the housing stock – that is, highest demand is for the stock in greatest supply. The following table shows that 70.1% of applicants are seeking bedsit or one bedroom properties which comprise 71.3% of the stock (the higher demand for bedsits is likely to reflect the lower cost of this accommodation). 28.8% of applicants are seeking two or three bedroom dwellings which comprise 27.2% of the stock.

Analysis of waiting list at 1 July 2009

Property Type	Number on waiting list	Percentage	Portfolio Profile	
			No. Dwellings	% of stock
Bedsit	260	62.4%	961	40.9%
One Bedroom	32	7.7%	714	30.4%
Two Bedroom	91	21.8%	400	17.0%
Three Bedroom	29	7.0%	239	10.2%
Four Bedroom	5	1.2%	28	1.2%
Five Bedroom	0	0.0%	8	0.3%
Six Bedroom	0	0.0%	2	0.1%
Total	417	100%	2352	100%

Who currently lives in Council homes?

Wellington City Council has targeted its housing at a number of priority groups. The following table outlines the percentage of housing units occupied by each priority group.

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Household by priority group

Group	% of stock
Fit Elderly	10.0%
Refugee	9.7%
Low Level Psychiatric	14.7%
Multiple Disadvantaged	38.0%
Rent less than 50% of income	8.6%
Migrant	7.4%
Physical Disability	0.9%
No Priority Group	10.7%
Total	100%

The largest group is the multiple disadvantaged at 38%. Refugees and migrants comprise 17.1%.

Household type by gender

Household Type	% Overall	% Female	% Male
Single Adult	65.6%	34.5%	65.5%
Two Adults	9.7%	52.7%	47.3%
Three+ Adults	3.2%	36.1%	63.9%
Single Adult + Children	8.0%	80.9%	19.1%
Two Adults + Children	10.3%	48.7%	51.3%
Three+ Adults + Children	3.3%	56.6%	43.4%
Total	100%	100%	100%

Nearly two thirds of Council tenants are single adults living alone (65.6%), the majority of whom are male (65.5%). Just over one fifth (21.6%) of dwellings are occupied by adults with children. 80.9% of single adults with children are female.

Percentage of households by ethnicity of head tenant

Ethnic group	Percentage of households
African (other)	1.4%
Asian (other)	7.6%
Chinese	10.9%
Ethiopian	3.6%
Indian	4.1%
Maori	13.8%
Middle Eastern	7.9%
Pacific Island	10.0%
Pakeha/European	35.3%
Russian	1.1%
Somali	4.2%

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There is a diverse range of ethnic groups in our social housing. No one group represents a majority.

The average length of tenancy in the Council's homes is 6.6 years. Most applicants are housed within 6 months of being placed on the housing register.

Housing need in Wellington

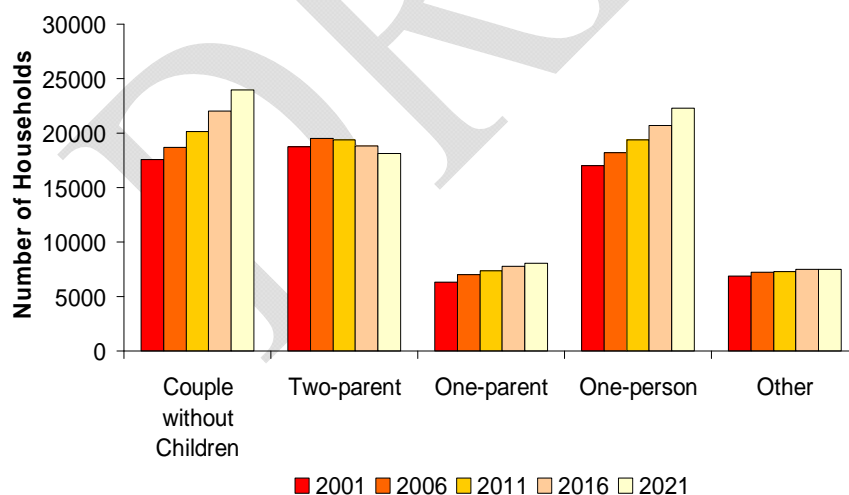
Demographic profile

Wellington City's average household income is higher than the New Zealand average. Wellington also has a relatively young age profile however the number of older people is expected to increase.

Most of the population growth in the Wellington region is predicted to occur in Wellington City, although the rate of growth will decrease over time. In Wellington people are tending to own their own homes later in life and overall there is projected to be a decline in the number of people who own their own homes. This means the majority of growth in the number of households will be in rented accommodation rather than owned.

The following graph shows the number of households broken down by composition and any change expected over the next 10 years. It shows that the number of 'couple with out children' and 'one-person' households is expected to increase quite significantly whereas the number of two parent households is predicted to decrease slightly. The number of one parent households is predicted to increase slightly.

Wellington City household composition



Source: Statistics New Zealand and DTZ (2007)

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Market trends

The number of consents issued for new dwellings tells us that most new homes in the Wellington region will be built in Wellington City. Wellington is seeing a higher concentration of multi-unit dwellings and apartments, particularly in the central city.

Affordability

There are an estimated 6840 households paying more than 30% of their gross household income on rent in Wellington. The majority of these households are one parent or one person families and earn less than \$50,000 per year.

Special housing need

Special housing need applies to those who experience more than affordability issues and financial stress. Other factors include adequacy, suitability, accessibility and sustainability. In Wellington the main causes of need are poverty/affordability, sustainability of tenancies in the private sector and accessibility barriers tied to discrimination. Overcrowding and inadequacy in terms of the physical condition of homes tend to be limited to refugee and migrant, people with physical disabilities and Pacific people households.

In Wellington there are estimated to be about 627 households in special housing need. By far the majority of these are beneficiaries. Those with the most pressing special housing need generally have other significant support needs and will gravitate to Wellington City because of the number and range of social support agencies operating in the inner city.

Total housing need

Total housing need is an attempt to quantify the total number of households who are in need for a variety of reasons and includes those households who pay more than 30% of their gross income on housing, households living in Housing New Zealand Corporation accommodation, households living in Wellington City Council accommodation who are not receiving the accommodation supplement, those living in emergency and third sector housing (including those on their waiting lists) and the homeless.

The total number of households in housing need is estimated to be 10,188. This level is expected to increase over the next 20 years due to the moderate growth expected in population and the expected growth in house prices (at a much slower rate than in the recent past). Most of this growth will occur in those aged 45 and over and in one parent and one person households.

Wellington City Council

Social Housing Policy Review

1 Introduction

The Wellington City Council and the Crown have agreed a Memorandum of Understanding (dated 19 July 2007) and a Deed of Grant (dated 26 August 2008) in which the Crown has agreed to grant the Council \$220 million over a 10 to 15 year period. The grant is to assist the Council to upgrade its social housing portfolio to ensure it is safe, secure and of a good standard for modern living.

The Deed requires the Council to complete a review of tenancy management; rent setting; and tenancy allocation practices and policy by 30 June 2010 in conjunction with Housing New Zealand. This paper documents that review.

The next two sections outline the scope of the policy, its purpose, objectives and principles. This review paper then addresses each of the components of the policy – rent setting, tenancy allocation and tenancy management. The review describes current practice, identifies issues and options and proposes a Social Housing Policy for Wellington City Council.

2 Scope

This policy review is being undertaken to meet the requirements of the Deed of Agreement and therefore the focus is on rent setting, tenancy management and tenancy allocation practices and policies. It does not address broader issues of social housing in Wellington and the Council's role in supporting or facilitating social housing but rather is limited to the Council's role in providing about 2,300 housing units within its social housing portfolio.

In December 2002 the Council resolved that some day to day decisions be delegated to officers and therefore those policies are outside the scope of this review (for example policies around subletting, eviction, car parking and complaint procedures).

The purchase and divestment of property and the standards for housing are guided by the Memorandum of Understanding, Deed of Grant and the agreed work programme. Therefore operational decisions will be made as part of the implementation of the housing upgrade and are not addressed by this policy.

There are a number of factors which constrain or influence the housing policy review. This section identifies those factors and notes their impact on the proposed policy.

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2.1 Memorandum of Understanding

The Memorandum of Understanding with the Crown requires that the following outcomes will guide the decisions and conduct of all parties:

1. Council's social housing portfolio level of service is maintained at approximately the same levels;
2. Council's social housing portfolio is financially sustainable into the future;
3. Council's social housing portfolio is safe and secure and to a good standard for modern living;
4. Council's social housing tenants contribute to and benefit from living in Wellington.

Those outcomes underpin the Council's role and approach to its housing portfolio and provide the context for the policy goals.

2.2 Social Housing

The Deed of Grant requires that the Council remains in social housing for at least 30 years at about the same level. This establishes the purpose of the Council's housing portfolio and its minimum level of provision. That statement of purpose is incorporated into the draft policy.

The literature on social housing commonly defines social housing as the provision of housing targeted to those with (a) low incomes and/or (b) special requirements and/or (c) for whom suitable housing is unavailable through the private market. The literature suggests that a key characteristic of social housing is concern with social outcomes.

The fact that Council housing is intended for social housing purposes is a critical factor in the policy development. It has particular implications for rent setting (affordability for tenants) and for tenant allocation (targeting of specific populations).

2.3 Sustainability

There is a tension between ensuring the ongoing financial sustainability of the Council's housing portfolio and affordability for tenants which is a critical aspect of social housing. The financial modelling for the housing upgrade is a major consideration in the ongoing financial sustainability of the Council housing portfolio.

Financial modelling for the Housing Upgrade Programme (HUP) was carried out to ensure financial sustainability. The modelling takes account of a number of variables. Therefore any policy changes with financial implications will have consequences for the modelling. Any increase in expenditure will require an increase in income, either through rentals or to be funded by ratepayers.

The Crown is paying its grant over ten years (2008 to 2018) and during that time the Council rentals are being used to retire debt and build reserves. The reserves will fund the Council share of the upgrade in the second ten years (2019

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to 2029). The Council will continue to build some reserves for reinvestment thereby ensuring long term sustainability.

The Deed of Agreement requires that all rental income is ring fenced and used for reinvestment in the social housing portfolio. This review is premised on the same basis as the Housing Upgrade Programme that the rental income be sufficient to fund the ongoing viability of the City Housing portfolio

3 Purpose, Objectives and Principles

The Council adopted the Framework for the Provision of Housing (policy) in March 2000. That framework contained the following key objectives:

1. To target low-income households with particular needs.
2. To focus its services on those most in need of assistance.
3. To provide for housing needs not met by other providers.
4. To enable and empower people, where possible, to make positive changes in their lives.
5. To work in partnership with agencies already involved in providing services to tenants and to avoid duplicating services currently being delivered.
6. To operate as a successful business while recognising the social needs of tenants.

This policy review considers these objectives continue to be appropriate but recommends amending them to better reflect the current context and the Deed of Grant. The proposed purpose, objectives and principles retain the essence of the objectives noted above and are also derived from the factors outlined in section 2 above.

Purpose:

The purpose of the Council's housing provision is to provide social housing for a minimum of 30 years to Wellington residents.

Objectives for social housing:

Wellington City Council's objectives for its social housing are to provide:

- appropriate and affordable housing to low-income households who otherwise have barriers to accessing housing
- safe and secure housing to a good standard
- 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 well-being and that tenants contribute to and benefit from living in Wellington.

Principles:

The following principles are derived from the objectives and have guided the development of the policy and provide the structure for the policy document:

- Work in partnership to improve the lives of tenants
- Ensure the housing portfolio is financially sustainable into the future and affordable for tenants
- Respond to demand for social housing equitably and efficiently

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- Create resilient and cohesive communities
- Provide a high quality service to tenants.

4 Rent Setting

The financial modelling for the Housing Upgrade is based on the current rent setting process. Any changes to rent setting or rent relief mechanisms would need to consider impacts on the financial sustainability of the housing portfolio. The Council aims to ensure its rent setting practices are fair, equitable and transparent.

4.1 Rent Setting Process

The current Council policy for establishing rent levels for its social housing portfolio has been in place since 1999 and was last reviewed in 2005.

The Council's current policy is to set rents at 70% of the value of the rental housing market. An independent registered valuer values a representative group of properties (10% of the total stock). A range of rental values, typically between \$10-\$20 per week, is given for each property. The Council then sets the market rental value at the low point of the range. The rents for tenants are then set at 70% of this amount. Table one gives examples of rent setting using this process.

Table 1: Examples of rent setting – amounts per week

Location/type	Market rental range	Market rental	Rent for tenants – 70% of market rental
Bedsits in Kotuku Flats	\$150 to \$160	\$150	\$105
4 bedroom flat in Booth Street	\$520 to \$540	\$520	\$364

Setting rents at 70% of the market rate means Council can have confidence that it is meeting its social housing objectives by ensuring provision of affordable housing.

4.2 Rent Relief Measures

In addition to setting rents at 70% of market the Council has several measures to provide financial relief to tenants to ensure that housing remains affordable. These measures were set in 1995, and reviewed in June 2005. They are:

- Annual rent increases are capped at \$20 per week for a single tenant and \$30 where there are two or more adult occupants. These caps stay in place until the next rent review
- Rent reduction for any tenant whose rent exceeds 35% of net income after tax and after Accommodation Supplement entitlement has been received. (Prior to the June 2005 review the affordable rent limit was 40%)
- No rent increases for tenants over 80 years of age. This is in consideration of these tenants having been on a fixed income for a long

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period of time and often having greater expenses for health care and transport than younger tenants.

Table 2 shows the number of people being assisted by rent relief and the cost to the Council as at October 2009.

Table 2: Take up and cost of rent relief mechanisms

Mechanism	No. of tenants	Cost to Council p.a.
\$20 cap on rent increase for single people	3	\$69,000
\$30 cap on rent increase for households with more than one adult	33	
Affordable Rent limit	42	\$49,000
Rent freeze for tenants over 80	139	\$177,000

4.3 Options Analysis

The options considered as part of this review were:

- Status quo
- Increasing rents to 80% of market rent
- Decreasing rents to 60% of market rent
- Income related rent – 25%, 30% or 35% of income.

Criteria for considering options are:

- *Affordability* - tested against the percentage of tenants that access the Affordable Rent Limit (ARL) rent relief. The ARL is a safety net for when rents become unaffordable (rent is greater than 35% of income). Take-up is therefore a proxy of affordability.
- *Financial sustainability* - tested against the amount of accumulated surplus that is expected to be generated after 30 years. Financial modelling identifies about \$152 million is needed for reinvestment to maintain the asset in a good condition.

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Table three assess each of the options against these criteria.

Table 3: Options analysis for rent setting

Options	Description	Impact on affordability	Impact on financial sustainability
		% take-up of ARL	Accumulated surpluses by 2037
Status quo	70% of market rent with affordable rent limit of 35% of income	1.8%	\$152.1 million
Increasing rents to 80% of market rent	Assessing rent at 80% of market value with affordable rent of limit of 35% of income	15%	\$243.5million
Decreasing rents to 60% of market rent	Assessing rent at 60% of market value with affordable rent of limit of 35% of income	Nil	\$68.5million
Income related rent – 25% of income.	Setting rent at 25% of a household's income.	Nil A likely decrease in rent for many tenants, but none would receive the Accommodation Supplement	Unknown. Likely to be less than status quo
Income related rent – 30% of income	Setting rent at 30% of a household's income.	Nil A likely increase in rent for many tenants.	Unknown. Likely to be higher than status quo
Income related rent – 35% of income	Setting rent at 35% of a household's income.	Nil A likely increase in rent for many tenants.	Unknown. Likely to be higher than status quo

All of these options meet the criteria for setting the housing provision within the definition of social housing.

There is insufficient reliable data to estimate the real impact of income related rent. Given the low take up of the affordable rent limit assistance it is assumed that most tenants are currently paying less than 35% of income. International and other New Zealand standards suggest that housing stress occurs when accommodation costs exceed 30% of net household income.

Income related rents mean rent is set on the basis of income and does not take account of the size or location of their home. Demand is influenced by price and applicants take account of price when considering location and size. Moving to income related rent would change the demand for different types and locations of dwellings.

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There is some assistance from the Government for people paying more than 30% of their income in rent (through the Accommodation Supplement) and the Council provides further assistance when tenants pay more than 35% of their income in rent. Factoring in the Accommodation Supplement and Council assistance it is reasonable to assume that a move to income related rents would not benefit tenants to any great extent.

Providing assistance for people if their rent reaches 35% of income is a default rent setting mechanism of income related rent. In effect the current rent setting model provides for rent to be paid at either 70% of the market value or 35% of income whichever is the lower.

Options for each of the rent relief mechanisms are that they can remain at the status quo, be increased or decreased. No substantive issues were raised throughout the review on rent relief mechanisms. The analysis in relation to impact on affordability for tenants and long term sustainability for the Council are much the same as for the rent setting process itself.

Consideration was given to reducing the affordable rent limit to 30% in line with standards that suggest housing stress occurs when accommodation costs exceed 30% of net household income. For the reasons outlined above on income related rent and because of uncertainty about the impact on financial sustainability it is recommended there is no change to the affordable rent limit.

It is proposed that there is no change to the rent relief provisions other than three yearly reviews to adjust the cap on rent increases in line with inflation. Carrying out these reviews every three years rather than annually will allow the Council to better assess the impact of any changes on financial sustainability which is based on a very complex financial model.

It is proposed that there is no change to the current rent setting process because it is both affordable for tenants and generates sufficient accumulated surpluses to ensure the ongoing financial sustainability of the portfolio.

5 Tenancy Allocation

There will always be unmet demand for social housing. The purpose of the allocation policy is to match supply and demand by determining which sector of the community (if any) has priority for City Housing.

5.1 Current Process

Eligibility for housing is defined by a number of gateways for a set of target groups. These are that the primary tenant must:

- be at least 18 years of age
- have permanent resident status or have lodged an application

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and that the household:

- has an income of less than 60% of the Wellington median income
- has assets worth less than \$35, 000 if aged under 50
- has assets worth less than \$50,000 if aged over 50.

These income and asset thresholds are higher than Housing New Zealand's thresholds. This means that more people are eligible for Wellington City Council's social housing stock than Housing New Zealand's social housing stock. Therefore the Council and Housing New Zealand are reaching different parts of the same community in a complementary way.

Applicants that meet all of the eligibility criteria are assessed for:

1. Housing need:

- current tenancy or living arrangement – does the applicant have a short, fixed term, long term or no tenancy? Is their current home affordable?
- adequacy of current housing – is the applicant living in a home in poor physical condition or one that doesn't meet their needs?
- suitability of current housing – is the applicant's house size big enough for the number of occupants?

2. Support needs:

- accessibility – can the applicant access housing in the private market in the face of discrimination?
- location - is the applicant able to access social infrastructure such as community centres, shopping centres, transport links, health and education services?
- special housing needs – does the applicant have any special needs including physical disability, homelessness, substance abuse, chronic illness and domestic violence?
- inclusion in one or more of the following groups:
 1. The Fit Elderly - those able to maintain an independent lifestyle at time of application
 2. Refugees - either arriving through the quota or asylum seekers accepted by the Immigration Service as refugees
 3. Low Level Psychiatric - those people able to maintain an independent lifestyle with minimum supervision and support
 4. Multiple disadvantaged - households with a number of problems that make them vulnerable in the housing market
 5. Households that pay 50% of income for rent - after all entitlements have been received and including single person and family type households
 6. Migrants - people entering the country under the humanitarian or family reunification categories
 7. People with physical disabilities - people requiring modified accommodation.

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The housing and support need assessment generates a ranking for priority for allocation. The timing for when an applicant is successful in securing Council housing will depend on the availability of suitable stock.

Applicants have a priority ranking and are matched to available stock. Matching applicants with housing and location involves consideration of a range of factors, including:

- household characteristics (e.g. size)
- social support considerations
- special housing needs (e.g., location, access)
- tenant preferences.

Those factors are tested against available stock and sometimes there is no suitable housing for high priority applicants. In that case the stock is offered to *Non-priority group* applicants - people who meet the income criteria and have a housing need but are lower priority than some other applicants.

In addition, with the Housing Upgrade, there are a growing number of fixed-term tenancies available. In the first instance these are offered to eligible applicants and *Out of Policy* tenants (tenants whose circumstances have changed and no longer meet eligibility criteria) and then to non-eligible applicants.

5.2 Options Analysis

At a high level the options for the tenancy allocation policy are the status quo, more targeted criteria perhaps focusing on smaller sectors of the population thus reducing demand, or more lenient criteria enabling more flexibility and thereby increasing demand.

The basis for the allocation policy is that it must target people in need of social housing. In addition to this there are two key considerations for the development of the allocation policy – matching supply and demand and the impact on communities within the housing complexes or neighbourhoods.

The waiting list provides information about how well the tenancy allocation process is working. An effective policy will allow for a small waiting list that ensures the Council can maximise occupancy rates. If waitlist numbers increased significantly it would mean that the current process allowed for many more people to be eligible for housing than the stock available. Conversely, if the waiting list decreased significantly it would mean the process had a limited number of eligible people.

The following waiting list material (see table four) excludes those tenants who are on the waiting list as a consequence of the Housing Upgrade and provides information about the priority group of the waitlist people.

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Table 4: Applicants on the waiting list by priority group as at August 2009

Priority Group	bedsit	1 bed	2 bed	3 bed	4 bed	Total
Fit Elderly	7	4	4	1		16
Refugee	10	1	11	6	1	29
Low level psychiatric	25	1	2	2		30
Multiple disadvantaged	23	1	17	3		44
Rent to income	20	1	8	7	1	37
Migrant	16	2	8	2		28
Disabled	0		0	0		0
Total	101	10	50	21	2	184

Most applicants on the waitlist are housed within six months and the wait list neither grows nor shrinks markedly over time. This suggests the current policy is meeting the objectives of a small waiting list that support the maximising of occupancy rates. (It is acknowledged that the criteria for eligibility and the stock itself influence the number of people and type of household on the waitlist.)

The Council housing stock is not sufficient to house all people from any particular group. Identifying a group as a priority signals the groups from which tenants will be selected rather than an assurance that the Council can house all eligible people from within the group.

Currently the priority groups are ranked from one to seven. In practice this ranking has negligible impact in deciding who is allocated Council housing because not all available housing is suitable for all applicants within each of the priority groups. It is recommended that the priority groups continue to be identified but the rankings associated with the groups be removed. It is also proposed to remove 'rent to income' from the list of priority groups. The 'rent to income' priority group refers to applicants that are paying 50% of their income in rent. The housing assessment tool will identify those people as having a significant housing need but unlike the other groups, this characteristic only applies until the time the tenant is housed.

When allocating homes to tenants, the Council considers how well some households will fit in certain communities. For example, older people often want to live in quiet neighbourhoods without families with young children nearby. The Council's housing officers take into account these needs when they are allocating homes and try to make the best fit possible. They are also mindful of putting large numbers of tenants in the same community with high support needs. These decisions are made on a case by case basis taking into account the specific needs of each potential tenant.

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Tenants themselves will often have preferences as to where they wish to live and the Council will aim to satisfy those preferences. However the availability of suitable stock will determine the extent to which those preferences can be met.

It is proposed that there is no change to the income and asset thresholds but they should be reviewed on a three yearly basis and adjusted to reflect changes in inflation. It is proposed to carry out these reviews every three years rather than annually because changes to the income and asset thresholds impact on current tenants' eligibility to stay within Council housing. Slight movements from year to year in either the tenants' circumstances or the thresholds would have a disproportionate impact. Any increase to the asset or income threshold increases the number of people eligible for social housing. These reviews need to take into account of the impact on demand given the limited social housing stock available.

Council tenants must stay within the income and asset thresholds to remain eligible for Council housing. Those households that go above either of these thresholds are given one year to find alternative accommodation. Currently during this period their rent is increased to the full market value regardless of how far over the threshold they are. It is proposed in the policy to stagger this rent increase depending on how far above the threshold the household's income or assets are. This better reflects the amount tenants can afford to pay. For example, a tenant may only be earning \$5 above the threshold, but their rent may increase by \$20 per week, making them worse off overall.

6 Tenancy Management – Practice and Policy

Tenancy management is the third core component of the social housing policy. The Council aims to operate an efficient, effective business unit and property management will be carried out professionally and competently. The Residential Tenancies Act establishes a framework for tenancy management. The Council operates in accordance with that Act and has a strong commitment to being a reasonable, fair and good landlord.

Tenancy Management includes three key activities:

Administration of tenancy agreements – includes the management and termination of tenancies within the provisions of the Residential Tenancies Act 1986, tasks and activities associated with processing applications, establishing a tenancy agreement and ensuring the conditions of the tenancy agreement are adhered to. The latter includes such activities as maintenance, ensuring the rent is paid, annual inspections and resolving disputes.

Tenant support – this refers to meeting the needs of individual tenants and is carried out in the first instance when needs are identified at the time of assessment and matching people to stock to ensure the housing needs are met. Once a person has a tenancy the Council's tenancy managers facilitate access to services and support as required. To support these aspirations, the Council implemented the Housing Plus programme to develop tenancy management by:

- increasing the presence of tenancy managers onsite by setting up offices at complexes

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- developing effective communications between tenancy managers and tenants
- providing case management for high risk/needs tenancies.

The Housing Plus initiative also focuses on the Council's relationships with other agencies such as HNZA and a wide range of social support services.

Community development – is concerned with the housing tenants as a community. The Council is committed to addressing the social needs of tenant communities by encouraging and developing a sense of place and enhancing community and individual wellbeing. The Council's Community Action Programme aims to provide opportunities for tenants to:

- improve their physical environment and develop pride in where they live
- create and participate in a wide range of activities and initiatives
- increase their sense of safety and wellbeing
- meet others and participate in community celebrations
- become leaders
- access to social and recreational programmes
- develop creative expression through a wide range of artistic endeavours
- build confidence, self reliance and a positive sense of identity
- access primary health and wellness services and information
- access training and employment opportunities.

Tenant Representation

The key stakeholders are of course the tenants and it is in the interests of all that tenants are able to contribute to and participate in decision making that affects them.

The Wellington Housing Association of Tenants (WHAT) was established to:

- represent tenants in Council housing,
- be recognised by the Council as the formal joint voice of the tenants to the Council,
- negotiate with the Council on behalf of tenants on matters of concern,
- promote communication among tenant groups,
- support the work of tenant groups whose aims are compatible with WHAT's aims,
- work towards the tenants having control of their housing and
- promote processes which would allow all tenants to have a say in decision making.

Housing Plus, Community Action and tenant representation work together to ensure good housing management and the needs of tenants as individuals and as part of a community are being met. As the Community Action Programme and the Housing Plus initiative are relatively recent it is recommended no changes are made to their provision at this stage. There will be ongoing monitoring on the effectiveness of those programmes through the Community Evaluation Framework and satisfaction surveys. Currently levels of satisfaction with Council housing services are very high (93% are satisfied or very satisfied with Council services).

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Disruptive Behaviour

Through the review, tenants raised concerns about disruptive behaviour by other tenants. That behaviour takes many forms and the Council is responsive to addressing issues as they arise. The Council is guided by the Residential Tenancies Act which in part provides the following:

Residential Tenancies Act S38 (2) The landlord shall not cause or permit any interference with the reasonable peace, comfort, or privacy of the tenant in the use of the premises by the tenant.

And S40 (2) The tenant shall not—

- (a) Intentionally or carelessly damage, or permit any other person to damage, the premises; or
- (b) Use the premises, or permit the premises to be used, for any unlawful purpose; or
- (c) Cause or permit any interference with the reasonable peace, comfort, or privacy of any of the landlord's other tenants in the use of the premises occupied by those other tenants, or with the reasonable peace, comfort, or privacy of any other person residing in the neighbourhood.

Responses by the Council will take account of the specific circumstances of any complaint or issue. It is not proposed to include operational detail on those responses within the policy.