

Update to Strategy and Policy Committee on Housing Work Programme and Next Steps

1. Purpose of report

The report seeks Councillor's:

- agreement to develop a Wellington City housing strategy that builds on the strategic vision, previously discussed with Councillor, to increase the supply of quality affordable housing by working in partnership to optimise our investment in the Wellington region
- agreement to pursue a strategic approach, guided by the vision, that seeks to work in partnership with government and other housing providers, and a focused action plan that will inform the development of a draft strategy for consultation.

This paper also:

- highlights the need for a separate but complementary programme of work that scopes the role of Council in land development and urban regeneration, and clarifies the range of outcomes that could be sought, which would be broader than those that relate purely to housing.

2. Executive summary

Councillor feedback from the housing workshops confirmed that housing is an important issue. It was agreed that housing is more than just bricks and mortar.

Councillors also clearly signalled that action guided by the strategic vision, to increase the supply of quality affordable housing by working in partnership to optimise our investment in the Wellington region, is required now and that a coordinated approach is necessary to deliver optimal housing services.

Coordination requires leadership, collaboration and commitment. What was also clear was that it is important for the Council to define its role and that over time, or in different scenarios, that role might change.

The Council performs a wide range of roles in the housing market, from regulator to provider. As a social housing provider, it operates the third largest portfolio in New Zealand and in Wellington it complements the similarly sized portfolio operated by Housing New Zealand Corporation (HNZC).

The current approach to housing is piece-meal as housing providers operate independently. Housing and social service providers are frustrated that there is no integrated thinking and action to allow them to develop and grow their business and deliver housing outcomes. Consequently, there is an opportunity to provide integrated leadership to achieve some overall housing objectives for Wellington.

The Government is unlikely to provide this leadership in Wellington as it has more pressing housing issues in Auckland and Christchurch. Feedback from Councillors at the recent workshops was that Council should explore opportunities to take a greater leadership role, recognising that housing is important to the shape of our City. Officers were invited to report back on recommendation.

Officers recommend four work-streams are progressed to explore housing opportunities. These work-streams represent our strategic approach and will lead to the development of the Strategy.

To ensure a balance of strategic work and tangible action these work-streams would be progressed concurrently. A diagram outlining the links between work-streams and an indicative timeframe for work to be completed is provided in Appendix one.

- **Work-stream A-** Confirm the strategic approach with partners and develop a Memorandum of Understanding with Government and other willing organisations. Council officers will engage with the Government and key housing providers on the draft shared City wide housing vision discussed with Councillors to negotiate a working agreement and principles that can be used to agree a joint work programme for the City. The focus will be on shared and complementary objectives between the Council's City Housing Work Programme and the Crown's and other providers' plans for housing in Wellington.
- **Work-stream B-** (undertaken concurrently with Work-stream A) - Short term projects. The Council will progress a range of short term projects that require only small levels of investment but potentially yield a high housing outcome. These short term projects will align to the strategic approach and inform the development of the strategy. They will also deliver positive tangible housing outcomes for Wellingtonians.
- **Work-stream C** - development of a draft City Housing Strategy. Between now and early in the New Year, officers will develop a draft Housing Strategy. This work will be informed and draw heavily on the work completed in the other work-streams.
- **Work-stream D** – (undertaken concurrently with Work-stream A and B) -An urban regeneration workshop is planned for 28 May 2013. Officers will test with Councillors the scope, roles and opportunities for land development and urban regeneration. This workshop will clarify the Council's priorities, the areas of focus and discuss potential delivery mechanisms. Due to the scale and scope of work required officers recommend that a separate but complementary urban regeneration work programme be established based on the priorities of the Council. This work would connect strongly with work on spatial planning, revising the Transport Strategy, earthquake resilience, Our Living City and Our Capital Spaces.

The Council cannot deliver a Housing Strategy on its own so partnerships with the major housing stakeholders in the city are important. Currently, the work

looks as though it has a strong social housing focus and initially this is true. Officers believe that it is important to start from a position of strength when working with other parties as there are common interests and obvious benefits from collaboration. Over time the partnerships can be leveraged and the scope to deliver wider housing objectives will expand, particularly as government policy is clarified, roles and responsibilities for urban regeneration are established and larger projects can be progressed.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Agree to the development of a Wellington City housing strategy that builds on the strategic vision to increase the supply of quality affordable housing by working in partnership to optimise our investment in the Wellington region*
3. *Agree to the four work-streams to progress the strategic approach and the housing and urban regeneration work programmes that:*
 - (a) *negotiates a draft memorandum of understanding with Housing New Zealand, other willing Crown agencies, and housing providers based around, but not limited to, the objectives and actions outlined in the paper*
 - (b) *progresses the projects outlined in work stream two of the paper*
 - (c) *commences an urban regeneration work programme starting with a Councillor workshop on 28th May 2013.*
4. *Agree that officers provide to SPC, before the end of the calendar year, a draft housing strategy which is informed by the strategic approach outlined in (a) to (c) above and Government's policy for housing*
5. *Agree to delegate to the Mayor and portfolio leader the authority to finalise and sign the memorandum of understanding when it is ready*
6. *Note that it will be important to work with, and collaborate with, the housing sector to grow housing in Wellington*
7. *Note that the Wellington City Housing Strategy will have a broad focus and include consideration of issues such as; housing affordability and quality, as well as social housing.*

4. Background

4.1 Brief summary of Wellington's housing market

Home ownership market

From 1996 to 2006 the homeownership rate for Wellington households dropped from 65% to 60%. The median house price is \$400,000, and according to Quotable Value New Zealand, Wellington City had an average house sale price of \$506,000. The median household income in Wellington is \$95,510, the New Zealand average income is \$76,584.

Rental market

Almost 60,000 people, or 23,600 households, lived in rental housing in Wellington in 2006. The private sector provides 85 – 90% of rental housing. The Wellington City Council and Housing New Zealand Corporation (HNZC) are the City's largest individual rental investors.

Current scale of social and affordable housing provision in the City

HNZC retains a portfolio of about 1,900 housing units in the City. The largest concentrations of HNZC houses can be found in the Northern and Eastern suburbs, and (for multi-unit housing) in CBD periphery areas, Newtown and Berhampore.

Together, Wellington City Housing and HNZC 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.

A range of community housing organisations make up Wellington's housing third sector. The sector operates about 110 dwellings in the City. These include:

- 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
- 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.

Rental Market Issues

About 60% of low income households rely on the private sector for housing with rental support provided by the government.

More than 70% of all renting households with a household member aged 60+ rely on social housing providers. Younger age groups, including students and young adults starting out in life, tend to rent from the private market and find it hard to save enough money to buy their first home.

The main issues that have been raised in discussions with housing and other social service providers about the private rental market are:

- the low quality housing that is often provided and whether private landlords have the incentives to provide better quality housing
- security of tenure to allow renters to establish connections with and become part of their community
- the private market does not necessarily provide good quality secure housing, or a pathway to homeownership.

The main issues raised relating to the provision of housing assistance is that it is not connected and joined up.

Feedback from Councillors through the workshops and the surveys

Officers held two workshops and conducted a survey to canvas Councillor's views on housing and specifically on whether the Council's strategic direction for housing should seek to increase the supply of quality affordable housing by working in partnership to optimise our investment in the Wellington region.

Officers were provided with some clear feedback and some consistent themes were expressed that formed a strategic approach. In particular, Councillors were clear that officer's thinking is on the right track however, while a housing strategy is needed now is also the time for action.

In summary Councillor's also provided the following feedback:

- the housing sector needs leadership
- the approach needs to be broad and inclusive and incorporate a diverse range of needs including affordable, sustainable and high quality housing for all Wellingtonians
- a healthy home for all Wellingtonians
- it isn't just bricks and mortar so a connected up approach is important
- Council needs to be clear about what its role is, but flexible enough to adapt over time to deal with the complexity and long term nature of housing in the city
- we do not want to lose the rich diversity in our City because people on lower incomes are forced to go elsewhere
- it is imperative to get started with some short term projects
- partnerships are vital
- its more than just housing, it's the economy, jobs, incomes and community development
- a land development or urban regeneration agency is important if Council wants to influence or lead redevelopment of parts of the City at scale
- we need to be future focused, the City demographic is changing and future housing demand and need may not be the same as it is now
- we want to maintain levels of owner occupation.

5. Discussion

In developing a housing strategy emerging government policy around housing issues including the Resource Management Act, the review of development contributions, earthquake prone building policy will need to be considered. Council will be consulted and provide advice to Government on these policies.

However, the Crown's housing priorities are expected to be focused on Auckland and Christchurch in the near to medium term. Consequently, Wellington City Council, as the largest housing provider and the regulator in the City, is in the best position to provide leadership to pursue any opportunities to improve housing in Wellington.

In the workshop officers outlined the role Council could play. Council can:

- collaborate, connect and consolidate activities and functions as a partner with other providers
- partner and demonstrate leadership in asset and tenancy management, housing quality and work closely with community organisations
- provide more clarity and certainty to the market, encourage, enable or direct particular outcomes as a regulator
- encourage growth and shape the City as an investor and consider whether this should be used to deliver affordable housing
- control, influence and direct the future housing provision as governor of the City.

The strategic approach (four work-streams)

Housing is a complicated issue. Officers can confirm that to achieve optimal housing benefits for Wellington a long term housing strategy is required. However, officers have identified a number of short term initiatives that align to the strategic direction discussed with Councillors. These initiatives, regardless of the work to develop a housing strategy; will deliver positive tangible housing outcomes, and therefore it is recommended that work on the strategy and short term projects be progressed concurrently.

To progress the strategy and short term projects officers have developed a four step process to get the work programme and some action started. The process provides clarity around short term priorities and the linkages with other work streams. The next section outlines the rationale for each step and describes what will be delivered.

Steps one and two relate to the Council's potential role to collaborate and partner. Steps three and four relate to actions to control, direct and/or influence, growth and shape the City.

Work-stream A – Confirm the strategic approach with partners and develop a memorandum of understanding (MOU)

Having a shared vision for increasing the supply of quality affordable housing in Wellington and working in partnership will enable the Council to optimise its investment and encourage more from others. Officers propose to focus on developing an MOU with the Crown, Iwi and other housing sector participants to agree a set of shared objectives and actions. The emphasis of these will be that they are practical, doable and can be implemented quickly and are low cost but yield a high benefit.

Examples of the types of objectives, principles and actions proposed include:

- at a principle level we want a shared understanding of housing demand and how we can meet that demand collaboratively across the sector

- shared waiting lists with HNZA
- recognition of the Council as a third sector housing provider
- access to the Crown's housing subsidies
- a City wide agreement to provide community development incorporating community and Crown support agencies
- establishment of a friendly landlord service to improve housing quality to ease the need to increased housing supply by the Council in the short term
- a City wide housing lease programme that provides affordable housing and security of tenure
- a joined up asset management strategy for social housing in the City that incorporates improved housing quality
- a single City interface for those who require assistance.

Work-stream B– short term projects

It is important that the work programme is action focused. Officers are proposing to concurrently progress a range of housing projects. The projects are outlined as follows.

- **Investigate and scope products that may leverage private investment to expand social and affordable housing opportunities.** Examples include; mortgage insurance schemes, promoting existing products such as the Kiwisaver deposit subsidy and products from other jurisdictions such as the Australian National Rental Affordability Scheme where private investors fund the development of affordable rental housing that are rented at 20% below market rates. Investors receive tax credits in return.
- **A rental warrant of fitness scheme.** Scope the costs and benefits of a private rental warrant of fitness scheme where approved houses meet healthy housing standards. This would include investigating how this could be implemented and delivered. The Government's Expert Advisory Group on Solutions to Child Poverty has proposed a warrant of fitness as one of its immediate priorities. Research shows that New Zealand's high rates of poverty-related child illnesses, such as respiratory infections, could be reduced by making houses warmer and dry. A warrant of fitness (WOF) would mean rental properties would need to meet a basic set of criteria. This is likely to include the provision of basic amenities (e.g. working toilet), basic maintenance standards (e.g. weather-tight roof) and basic comfort standards (e.g. insulation, curtains and draught stops). Government ministers, including the Minister of Housing, have expressed initial support for the WOF concept and officials are now considering policy issues. The councils in the large metro areas are eager to progress the WOF issue. Currently, the Council is working with Auckland Council and Christchurch City Council on how a WOF scheme might work in the private rental market. A forum with the three councils, housing research groups and Government organisations is planned for late May. The purpose of the forum would be to get some initial agreement on what should be included in a WOF, how a WOF could be implemented and potential opportunities to pilot a WOF.

- **Our Living City - Healthy Housing** – We are working with a range of stakeholders to design and implement a scalable whole-house upgrade programme. The programme would likely involve free or low cost home assessments by qualified providers, which would help homes identify home improvement solutions. It would also include financing options to make it easier for households to take action. The priority is around making homes healthier through improvements like insulation, ventilation and heating. However, the programme could have the flexibility to include a range of solutions from fixing foundations through to solar energy installations.
- **City Housing Upgrade** - as part of the programme City Housing Projects and BRANZ are launching a study of conditions inside the pre-upgraded apartments at Kotuku Flats (Kilbirnie). Twenty tenants have volunteered to participate in the study where temperature and humidity sensors are installed in tenants' apartments and power consumption is monitored. Construction which will include insulation and improvement of ventilation systems will start in mid 2014. When life has found a new norm in the post-upgrade complex, power, temperature and humidity will again be measured. Alongside this data a post occupancy evaluation of the qualitative (social) and quantitative (architectural) aspects of the upgrade will be undertaken. Combined, this information will provide a rich assessment of the upgrade programme and will help guide future work programmes.
- **Sustainability of housing portfolio** - Council is exploring options for increased levels of sustainability within its own housing portfolio. We are investigating the potential for acquiring a Little Greenie pre-fabricated home (constructed thorough the WelTec building apprentice programme). The Little Greenie home design has been rated the most energy efficient home design in New Zealand. The Little Greenie Housing Trust has a goal of providing pre-fabricated homes that can be produced at scale, which would help drive down construction costs. Officers are awaiting the final costs for the home to ensure that the business case is viable.
- **Alternative building models** – Discussions have been held with Living Ark, a trust who are building high quality affordable housing and who are looking to expand. They are considering a small scale development in Wellington and there is potential for the Council to partner with them in some capacity.
- **Surplus Land (Council, Crown, Iwi)** - Officers are identifying sites that may be suitable for housing developments. At this stage the focus is on identifying the issues and barriers to developing affordable housing and coming up with ways to address them. This is likely to require project based partnerships with other groups. This work will feed into, but is not contingent on either Step one and our discussions with the Crown and the sector, or the Step three, work on urban regeneration.

Work-stream C – A draft housing strategy for the City.

The housing strategy will consider more than social housing. The focus will include consideration of housing affordability, quality and improving economic outcomes for Wellingtonians. The vision Councillors agree will set the parameters of the strategy and the strategic approach and emerging government policy will guide how we realise the vision (the work-streams). In term the work-streams outline the initiatives we will undertake to develop the strategy.

Officers propose work-streams A to C are progressed concurrently, guided by the strategic approach emerging from Councillor input and that a draft housing strategy is brought to SPC for your consideration early in the new calendar year. The housing strategy will have been informed by:

- discussions and actions resulting from the MOU with government and the sector
- progress on the Council's City Housing work programme
- progress on short term projects
- clarification from Central government on their housing policy and associated legislative settings
- the direction and analysis undertaken to progress the urban regeneration work.

Councillor agreement would be sought to engage on the draft strategy.

Work-stream D - Urban Regeneration

Strategic context and Councillor workshop on 28 May

The Council has already identified some strategic priorities for growth and intensification. These are outlined within the Urban Development and Transport Strategies (the 'Growth Spine' (Johnsonville to Kilbirnie)). The Growth Spine priorities are being given effect through, town centre plans and District Plan provisions. These proposals are supported by Council infrastructure funding and community facilities funding identified in the Long Term Plan. To ensure that this investment is optimised the Council could take a more integrated approach to making investment decisions around land and buildings.

Officers have set up a Councillor workshop to discuss urban regeneration and get direction on the scope and priorities for Council. Potential objectives could include:

- identifying sites or areas in the City for housing redevelopment
- land aggregation and development to catalyse mixed use change in town centres and promote medium density development in adjoining residential areas (e.g. Adelaide Road, Johnsonville and Kilbirnie)
- preservation and revitalisation of heritage buildings and/or areas (e.g. Cuba Mall)
- provision of options to redevelop or refit commercial and residential earthquake prone buildings.

Opportunities to catalyse private sector investment and the role of a land development agency will also be discussed.

It has become clear to officers that the role of a land development agency is potentially broader than housing. A number of urban regeneration opportunities incorporating issues around housing, urban renewal and intensification, addressing earthquake prone buildings and leaky buildings have been raised when the role of a land development agency has been considered.

Further potential ideas for discussion on 28 May

Below are some initial ideas and thinking from officers about what the problems are that we are trying to solve. These could be explored in the workshop scheduled for 28 May 2013.

Partnering with Housing New Zealand (HNZC)

As the largest residential land owners in the City, there is an opportunity for the Council to work with HNZC to consider urban renewal and intensification projects.

Council and HNZC owned properties tend to be clustered, on relatively large sections with older style housing. These properties could be redeveloped to provide affordable, better quality housing for a range of tenures.

In Wellington the areas that could be considered for redevelopment include areas within Strathmore and the Arlington flats.

Addressing Heritage, Earthquake Prone and Leaky Building Issues

The Council may wish to take a greater interest in a number of earthquake prone buildings or potentially leaky buildings, particularly where the:

- existing owners are financially constrained and are not able to pay the cost of repairs
- building may become derelict
- building is in a critical location or the nature of the building, either on its own or within a cluster of buildings, is important to the City
- ability to catalyse a wider outcome and improve housing in the City can be realised.

This would mean that the Council would take a more active role in the development of more resilient buildings. An example could be the work that has been completed on the Cuba Precinct. Considerable concept work has been completed by students from Victoria University. However, to move from concept to implementation will require active facilitation by the Council, which could involve bringing owners together to develop engineering solutions that address the seismic strength of the buildings.

Land Development Agency (LDA)

A number of models could be implemented to deliver this function, from direct Council provision, provision through a Council owned entity, or through a range of private public partnership structures. Each option has strengths and weaknesses and different models might apply in different situations. These would need to be worked through. An important step is to clarify the objectives of an LDA and build in flexibility to accommodate changing objectives over

time. The Council already effectively has an LDA in the role that Wellington Waterfront Limited performs for the city.

5.1 Consultation and Engagement

Consultation and engagement will have to be undertaken with potential partners in the development of any initiatives. Given the scale of potential future activity engagement with the community and investment partners will need to occur upfront to ensure their buy in.

5.2 Financial considerations

The financial considerations of any and each initiative will need to be considered as each proposal is reviewed.

5.3 Climate change impacts and considerations

This has not been considered at this point although some of the initiatives such as healthy housing or responsible landlords could cover improved insulation and have a positive effect in this area.

5.4 Long-term plan considerations

This is consistent with the Long Term Plan but has not been included within it.

Contact Officer: Andrew Stitt, Manager Policy.

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

Aligns with 2040 Smart Capital

2) LTP/Annual Plan reference and long term financial impact

Aligns with LTP

3) Treaty of Waitangi considerations

Iwi are an identified partner in the work programme

4) Decision-making

Not a significant decision.

5) Consultation

a) General consultation

Ongoing consultation and engagement will be undertaken

b) Consultation with Maori

Ongoing consultation with Iwi

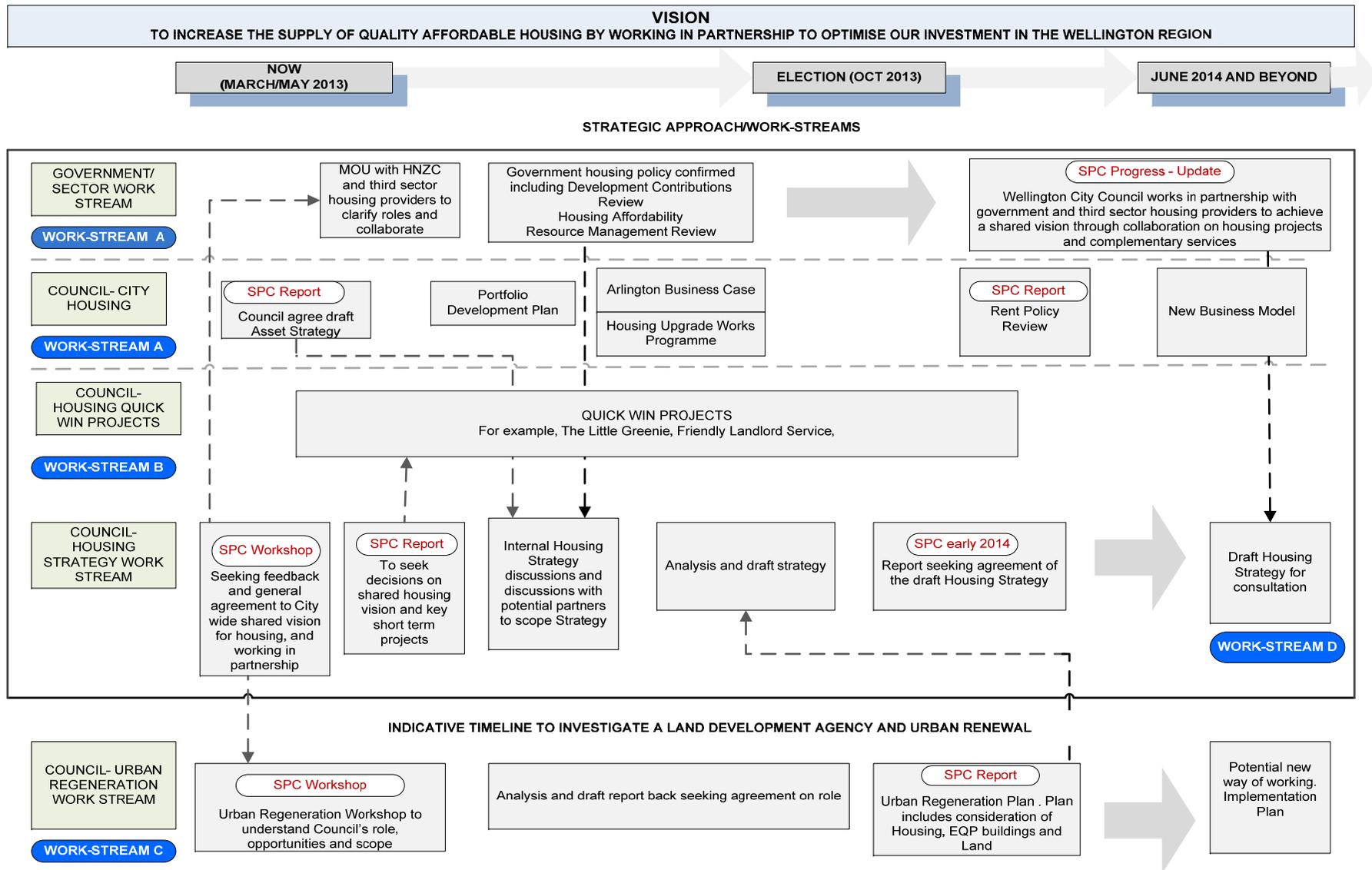
6) Legal implications

There are no legal implications. Any legal issues will be worked through during implementation.

7) Consistency with existing policy

This paper is consistent with existing policy

INDICATIVE TIMELINE TO DEVELOP A SHARED CITY WIDE HOUSING STRATEGY FOR WELLINGTON



APPENDIX ONE

CITY HOUSING FORWARD PROGRAMME – May 2013

SPC PAPER OUTLINE

- 1 Recap on briefings and next steps**
- 2 Policy review**
 - Rental
 - Eligibility
 - Affordability
 - IRR / AS / Affordable Rent Limit
 - Role of Local Government / Third sector
- 3 Business model**
 - Tenancy Management Level of Service
 - Review of Maintenance and Renewal Programme Strategy
 - Insurance review
- 4 Crown Partnership**
 - CAP Programme: value proposition, % investment benchmark against international best practice
 - HUP Work Programme 2013
 - New opportunities / Partnerships
 - Arlington Project

ACTIONS:

- A Policy Review - agree to scope and timing (2014)**
- B Asset Strategy - agree and adopt 5 outcomes and 20 year strategic goals**
- C Operating Model Review**
 - Maintenance and Renewal Strategy
 - Insurance review
 - Tenancy Management
 - Community Action and Engagement
- D For information**
 - Portfolio Analysis – (June 2013)
 - EQ Policy and work plans

