

EXTRAORDINARY MEETING

OF

WELLINGTON CITY COUNCIL

AGENDA

Time: 9:30am
Date: Thursday, 18 April 2019
Venue: Ngake (16.09)
Level 16, Tahiwī
113 The Terrace
Wellington

MEMBERSHIP

Mayor Lester
Councillor Calvert
Councillor Calvi-Freeman
Councillor Dawson
Councillor Day
Councillor Fitzsimons
Councillor Foster
Councillor Free
Councillor Gilberd
Councillor Lee
Councillor Marsh
Councillor Pannett
Councillor Sparrow
Councillor Woolf
Councillor Young

Have your say!

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

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Nil	

1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

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

1.2 Apologies

The Chairperson invites notice from members of:

1. Leave of absence for future meetings of the Wellington City Council; or
2. Apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.3 Announcements by the Mayor

1.4 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.

1.5 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 Wellington City Council

The Chairperson shall state to the meeting.

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

The item may be allowed onto the agenda by resolution of the Wellington City Council.

Minor Matters relating to the General Business of the Wellington City Council

The Chairperson shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Wellington City Council for further discussion.

1. 6 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 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.

2. General Business

ARLINGTON REDEVELOPMENT PROJECT: CONSULTATION DOCUMENT

Purpose

1. This report seeks the Council's approval of a public consultation document on a proposed partnership deal with central government to redevelop Arlington Sites One and Three.

Summary

2. On 21 March 2019 the City Strategy Committee was advised that key terms of a proposed partnership deal with central government have been negotiated to redevelop Arlington Sites One and Three to deliver social and affordable housing for the city.
3. Negotiations regarding the deal are ongoing and the proposed terms will not receive final approval from Council until the Council has undertaken appropriate consultation and considered findings. In order to progress the deal it is also necessary to amend the latest Long Term Plan (*Our 10-year Plan 2018-28*), which was adopted by Council in June 2018.
4. Officers are using the Special Consultative Procedure to ensure all affected stakeholders are appropriately consulted, and to meet our legislative requirements. This approach is also in line with the Council's Significance and Engagement Policy.
5. A draft Consultation Document has now been prepared as part of the Special Consultative Procedure. Subject to Council approval of the consultation document, a period of public consultation will run for one month from 29th April to 29th May 2019.
6. Submitters who elect to speak to their views will be given an opportunity to do so at oral hearings on 4th June 2019.

Recommendation/s

That the Council:

1. Receives the information.
2. Note that the City Strategy Committee directed officers to progress negotiations with Housing New Zealand Corporation to develop a proposed partnership deal to redevelop Arlington Sites One and Three. Proposed high level terms have now been agreed but negotiations are ongoing and subject to public consultation and final Council approval.
3. Notes that on 21 March 2019 the City Strategy Committee was advised that the Special Consultative Procedure would be used to seek public feedback on the proposed partnership deal to redevelop Arlington Sites One and Three.
4. Notes that a draft Statement of Proposal has now been prepared as a draft public

consultation document (attached as Appendix 1), which includes a proposed amendment to the Long Term Plan.

5. Approves the attached draft consultation document (Appendix 1) and survey (Appendix 2) that will be used to seek public feedback on the proposed partnership deal to redevelop Arlington Sites One and Three.
6. Notes that the period for the public to provide written feedback will run from 29th April 2019 to 29th May 2019.
7. Delegates authority to the Mayor and the Chief Executive to approve any further minor editorial changes to the consultation document and survey.

Background

7. Arlington Apartments consists of three sites that are being developed in a phased approach. Site Two (now named Te Māra) was completed in 2018, doubling the previous capacity to 105 good quality social housing apartments. These apartments are now leased to Housing New Zealand Corporation (HNZC) for seven years.
8. This report relates to the redevelopment of Arlington Sites One and Three, now known as the Arlington Redevelopment Project. The 193 units on Site One are currently vacant and the aging buildings are ready to be demolished so the site can be redeveloped. The tenants housed in the 20 units on Site Three have been advised that Site Three will be part of the redevelopment of the wider Arlington site.
9. A proposed masterplan to inform the redevelopment was completed on 25 May 2018. It considered how the site could be optimised and how it could integrate with the wider community, particularly Te Māra. It did not focus on more detailed design elements or specific costings as this could vary depending on further value engineering, specific delivery options, and any design guidelines developed as part of the next phases of work.
10. On 23 August 2018 the City Strategy Committee (CSC) agreed that the proposed masterplan should be used to set the baseline and direction for future development decisions regarding Arlington. CSC also directed officers to enter into formal discussions with central government to scope and progress terms for a partnership that would enable the redevelopment of the site.
11. As discussed with CSC on 21 March 2019, key terms of a proposed partnership deal with central government have now been negotiated. If approved, key aspects of the proposed arrangement include:
 - That HNZC expect to build between 230 and 300 modern, warm, dry homes which will be a mix of social and affordable housing. Approximately 40 of these homes are expected to be supported living units where tenants experiencing complex issues can receive the support and help they need.
 - Arlington Sites One and Three would be leased to the Crown on a long-term basis of 125 years.
 - HNZC will retain an option to transfer ownership of up to 30% of Arlington Sites One and Three to enable a proportion of the site to be developed as affordable homes for sale.

- The Crown, through HNZC, would be responsible for the redevelopment (including detailed design), social housing service management, funding and maintenance of the sites.
 - The Council's masterplan will be used to inform the detailed design and development of the site to help ensure good urban design and community outcomes, and appropriate density optimisation.
 - The Council will receive \$1 million, which will be reinvested into the Council's social housing portfolio.
 - That the Council will not be in breach of their obligations under the Deed of Grant.
12. The proposed deal has been negotiated on the basis that it is consistent with the Council's Housing Strategy, and the Strategic Housing Investment Plan. It is important to note that Central Government, rather than Council, social housing policy settings will apply.
13. Negotiations regarding the deal are ongoing. More detailed terms will be presented to Council, together with the feedback from consultation, for a final decision (currently proposed by the end of June 2019).

Discussion

Our 10-year Plan

14. The latest Long Term Plan (*Our 10-year Plan 2018-28*) was adopted by Council in June 2018. As part of the consultation on the draft plan public feedback was sought on:
- whether housing should be a key priority area for Council
 - a proposed Housing Strategy (which included that Council would partner with others to achieve key objectives)
 - the implementation of the Strategic Housing Investment Plan (SHIP)
 - a partnership proposal to establish supported living options for the vulnerable homeless population.
15. There was strong public support for these housing related initiatives, and Council subsequently approved the Housing Strategy in June 2018. A number of housing projects have also been prioritised and the implementation of SHIP is underway.
16. The proposed partnership deal to redevelop Arlington Sites One and Three is part of SHIP, and aligns with key principles and objectives of the Housing Strategy.
17. The specific proposed partnership deal was not however explicitly provided for in *Our 10-year Plan 2018-2028* as the proposal had not been developed at that time.
18. On 21 March 2019 CSC were advised that the proposed partnership deal is likely to trigger Section 97 of the Local Government Act 2002. This means that before a final decision is made, a consultation document for the amendment of the Long Term Plan must be prepared which meets the requirements of Section 93D and 93E. This must be reviewed by Audit New Zealand and publicly consulted on.

19. The specific amendment to the 10-year Plan that would be required includes the addition of wording in the 'Statement of Service Provision' section to provide for this specific deal. The proposed partnership deal has no material impact on the financial assumptions and projections already contained within the 10-year Plan and therefore no financial amendments are required.
20. Officers are using the Special Consultative Procedure (SCP) to meet our legislative requirements, and to ensure all affected stakeholders are appropriately consulted. This approach is also in line with the Council's Significance and Engagement Policy.



Consultation on the Arlington Redevelopment Project

21. As part of the Special Consultative Procedure, officers have prepared a Statement of Proposal in the attached draft consultation document (*Appendix 1 – Arlington Redevelopment Project: Proposed change to our 10-year Plan*).
22. Subject to Council approval of the consultation document, the period for providing written feedback on the proposal will run for one month from 29th April to 29th May 2019.
23. The consultation document will form the basis for the consultation, and there will be a short survey (*Appendix 2*) attached to the consultation document to guide feedback. The survey is focussed on one question that provides an opportunity to comment on the proposal.
24. There will be an electronic copy of the consultation document and survey on the Council's website and hard copies will be available in the Newtown and Brooklyn libraries, and our Service Centre. The consultation will also be advertised via a press release, on the Council's website and social media channels, and a number of more targeted engagement activities will be undertaken (as noted in *Appendix 3*).
25. Submitters who elect to speak to their views will be given an opportunity to do so at oral hearings on 4th June 2019.
26. Submissions will be compiled and supplied to elected members for consideration before any final decision regarding the proposed partnership deal. It is anticipated that a final decision regarding the proposed partnership deal and the amendment of the Long Term Plan will be sought from elected members by the end of June 2019.

Next Actions

27. Following approval from the Council, the consultation document and survey will be finalised for a 'go live' date of Monday 29th April 2019. Officers have proposed that approval of any necessary minor editorial changes will be delegated to the Mayor and the Chief Executive.
28. Elected members will consider feedback received through the consultation in mid-June 2019, and officers will seek Council's approval to finalise and execute an agreement with HNZA by the end of June 2019.

Attachments

- | | | |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Attachment 1. | Draft Arlington Consultation Document 18 04 19 ↓  | Page 14 |
| Attachment 2. | Draft Arlington Questionnaire 18 04 19 ↓  | Page 34 |

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SUPPORTING INFORMATION

Engagement and Consultation

This report proposes a public consultation exercise as part of the Special Consultative Procedure. A consultation document is attached as Appendix 1 and a Consultation and Engagement Plan has been prepared. Submissions will be compiled and supplied to elected members for consideration before any final decision regarding the proposed partnership deal.

Treaty of Waitangi considerations

Arlington Sites One and Three have been identified by Taranaki Whānui ki te Upoko o te Ika iwi mana whenua entities as within the wider Te Aro Pā environs and cultivations. As such, iwi have been identified as a key stakeholder to be engaged with during consultation on any matter regarding the site.

Financial implications

The proposed option of partnering with Central Government to deliver Sites 1 and 3 would transfer the financial risk of funding the development to HNZA, and is expected to have a favourable impact on the forecast cash position of the City Housing business unit. Additional information regarding the financial implications of the proposal is included in the draft consultation document.

Policy and legislative implications

Legal advice was sought in relation to the options to deliver Sites 1 and 3. This included consideration of any implications relating to the Public Works Act 1981, the Local Government Act 2002, the Deed of Grant, and the Council's Significance and Engagement Policy. All options have also been assessed to identify the extent to which they are able to contribute to the Council's Housing Strategy and Action Plan.

Risks / legal

Key risks are summarised in the following table:

Risk	Likelihood	Consequence
Terms could change during negotiation – leading to an impact on consultation requirements	Possible Officers understand that the key elements of the deal which the consultation is based on have been agreed (subject to consultation)	Potentially major - If there is any change to the key aspects of the deal consultation may need to be repeated
Consultation could impact on our ability to negotiate appropriate terms	Likely	Detrimental Impact on negotiation position - officers will have a reduced ability to negotiate satisfactory terms - Particularly in relation to the further terms that are yet to be agreed

Legal advice was sought and considered in relation to consultation requirements for the proposed deal to be progressed. This has informed the view of officers that the proposed partnership deal would likely trigger Section 97 of the Local Government Act 2002 (that certain decisions can only be taken if provided for in a Long Term Plan).

Climate Change impact and considerations

The development of sites within the existing urban footprint and/or on sites zoned for residential development supports the Council's policy of urban containment. Promoting a compact urban form reduces the consumption of fossil fuels and harmful greenhouse gas emissions which result in negative climate change impacts.

Communications Plan

A detailed Communications and Engagement Plan has been prepared to support the proposed next steps.

Health and Safety Impact considered

N/A

DRAFT

Arlington Redevelopment Project Consultation

Proposed change to Our 10-year Plan

May 2019





Cover image: Arlington Apartments

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Hon Phil Twyford, Minister for Housing and Urban Development and Transport

A message from the Minister

“This is a significant development opportunity for Housing New Zealand to increase the supply of public and affordable housing in central Wellington. These will be high-quality homes with support for those who need it the most.

“This proposal is a great example of local government and central government working collaboratively to help meet the increasing demand for housing.”

An introduction from Mayor Justin Lester and Wellington City Council Chief Executive Kevin Lavery

Improving housing is a priority for Wellington City Council and this consultation document sets out a proposal that builds on our commitment to delivering more social and affordable housing in our city.

The proposal is about the redevelopment of the sites at Arlington Apartments 1 and 3. The Council's preferred option is to enter into an agreement with Housing New Zealand to redevelop the sites and deliver social and affordable housing for the city. We welcome your views on what is proposed.

The proposal would see between 230 and 300 high-quality social and affordable homes being delivered in close proximity to the city centre and would help alleviate the shortage of accommodation for people on housing waiting lists, including up to 40 supported-living units for some of Wellington's most vulnerable people.

The proposal is a great opportunity for local and central government to work collaboratively to help meet the increasing demand for housing in Wellington, and supports our vision of 'All Wellingtonians well housed'.

He kupu timata mai i a Kahika Justin Lester me te Kaiwhakahaere Matua o te Kaunihera o Pōneke, a Kevin Lavery

Ko te whakapai ake i te noho kāinga tētahi mahi matua mō te Kaunihera o Pōneke, ā, whakatakotoria ai e tēnei tuhinga whai tohutohu tētahi marohi ka whakapakari ake i tō mātou ngākau nui ki te whakarato i te maha ake o ngā kāinga pāpori, māmā hoki te utu, ki roto i tō tātou taone.

E pā ana te marohi ki te mahi hanga hou i ngā wāhi o ngā whaitua noho ki Arlington nama tahi me nama toru. Ko te whiriwhiringa tuatahi a te Kaunihera, ko te whakauru ki roto i tētahi whakaaetanga me Housing New Zealand ki te hanga hou anō i aua wāhi me te whakarato kāinga pāpori, māmā hoki te utu mō te taone. E hiahia ana mātou ki te rongoi i ō koutou nā whakaaro ki tērā kua marohitia.

Ko tā te marohi, he whakarato ki waenga i te 230 ki te 300 o ngā kāinga pāpori, māmā te utu, whai kounga hoki, e noho pātata ana ki te taone pū. Ka āwhina tēnei i te iti rawa o ngā kāinga noho mō ngā tangata kei runga i ngā rārangi tatari, tae noa ki ētahi living units e 40 ka tautokona, mā ngā tāngata whakaraerae rawa o Pōneke.

He whai wāhitanga nui te marohi mō te kāwanatanga ā-rohe me te kāwanatanga pū ki te mahi ngātahi ki te āwhina ki te whakatutuki i te kaha piki o te hiahia mō ngā kāinga noho ki Pōneke, me tana tautoko i tō mātou matakite, 'Kia whai kāinga pai ngā kainoho katoa o Pōneke'.



Mayor Justin Lester



Chief Executive Kevin Lavery

Section 1: Summary of proposal

This document provides information on our proposal to enter into an agreement with Housing New Zealand Corporation (HNZC) for the redevelopment of Arlington sites 1 and 3. The majority of these apartments are not fit for modern living and are mainly empty.

Under the proposal, HNZC will redevelop the sites to provide a mix of modern social and affordable homes, including up to 40 supported living units for some of Wellington's most vulnerable people. In Our 10-year Plan¹ we signalled that the Council would continue to upgrade our existing social housing stock. We also signalled that we would seek to enter partnerships, including the option of lease arrangements with other housing providers, to deliver on our Housing Strategy vision of 'All Wellingtonians well-housed'. This proposal is an opportunity to achieve this and to provide a good outcome for the city through Council making good use of its land and partnering with HNZC who have the financial capital and capability to deliver social and affordable housing on the site.

Why are we consulting?

We want Wellingtonians to have the opportunity to consider the relevant information and have their say before a decision is made by Council.

Arlington Apartments is the largest site in the Council's social housing stock. Legislation requires us to consult on any proposed transfer of ownership or control of a strategic asset and include it in Our 10-year Plan.

If approved by the Council, this proposal would mean the overall control of Arlington sites 1 and 3 would transfer to HNZC. The details of the proposal are not explicit in Our 10-year Plan because the proposal was not developed at that time. We need to amend Our 10-year Plan to allow for an agreement with HNZC for the proposal to proceed.

The feedback we receive through this consultation will help to inform the Council's final decision on the proposal.

¹ Our 10-year Plan is online at: <https://10yearplan.wellington.govt.nz/>



Arlington Apartments, Mount Cook

Section 2: Background to this proposal

Our Housing Strategy

Wellington City Council has a vision of ‘all Wellingtonians well-housed’. Our Housing Strategy² was approved by the Council in 2018 after public consultation. We stated our commitment to staying in social housing and to playing a leading role in developing housing solutions for the city. Page 13 is a summary of our Housing Strategy.

In Our 10-year Plan we say we will work with central government and our communities to deliver good quality, resilient homes that meet people’s needs. We will pursue opportunities to lease or divest Council-owned sites to attract investment for social and affordable housing from other housing providers, central government and developers.

We will consider issues and gaps in all parts of the housing market, including temporary housing, short and long term rental, and home ownership. This is part of the reason why we propose to enter into an agreement with HNZC to redevelop the Arlington site for social and affordable housing.

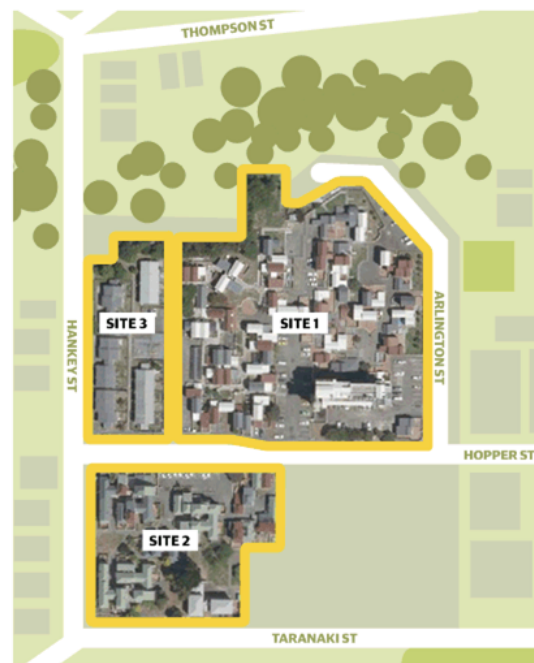
Wellingtonians firmly supported the Housing Strategy - particularly the provision of more social and affordable housing in the city - when we consulted the public as part of Our 10-year Plan in 2018. They also strongly supported the lease or divestment of Council land to develop social and affordable housing.

Up to 30,000 additional housing units are required, to meet the city’s expected housing needs by 2043. The population is also changing. Migration patterns, an ageing population, and a shift towards more one and two person households have implications for what types of housing are needed in the city.

The Wellington housing market is under growing pressure and there is a shortfall in supply. Vulnerable households can feel the greatest pressure in a highly competitive housing market, and there is increasing demand for social housing and affordable homes to rent and buy in the city.

Arlington sites 1 and 3

Arlington Apartments, in Mount Cook, is the Council’s largest social housing site in Wellington. It occupies the area between Arlington and Hankey Streets, and Taranaki and Hopper Streets. It consists of three sites that are being redeveloped in a phased approach.



Arlington Apartments, Mount Cook

² Wellington City Council’s Housing Strategy is online at www.wellington.govt.nz/housingstrategy

The majority of the site was deemed no longer fit for purpose in the late 2000s for reasons including homes being below modern standards for warm, dry, safe, good quality living. Most of the homes on site 1 have stood empty for a period of time.

Council has redeveloped site 2 (now named Te Māra), and doubled the capacity to 105 good quality social housing apartments. Last year we partnered with HNZA and entered into a seven year lease agreement for these homes.

This partnership contributes to the delivery of Council's 10-year Housing Strategy objectives by providing social housing to some of the city's most vulnerable people and creating some capacity for HNZA to re-house tenants while they redevelop their older stock in Wellington.

The Council's social housing portfolio is not funded from rates and there is no other funding available in the Council's budget to redevelop Arlington sites 1 and 3, without a significant rates impact. Last year we identified Arlington sites 1 and 3 could be redeveloped through a partnership. It could include a long term lease or divestment of part of the site to attract investment for social and affordable housing.

An agreement with HNZA for the redevelopment of Arlington sites 1 and 3 is now proposed. HNZA will redevelop the sites to provide a mix of modern social, affordable and supported living homes with good connections to the surrounding community and facilities.

Deed of Grant

In 2008 the Crown gave the Council a grant of \$220 million to upgrade its social housing. The Deed of Grant set down some conditions. The Council must repay the grant if it fails to maintain a certain number of social housing units until 2037. The Deed also gives HNZA a first right of refusal to buy any social housing units the Council wants to sell. These terms are important when it comes to the options the Council considered for developing Arlington sites 1 and 3.

Section 3: The options for developing the Arlington sites 1 and 3

We have considered four options for developing Arlington sites 1 and 3. They are summarised in this table and explained in the following pages.

	Option 1	Option 2	Option 3	Option 4
	Council retains and develops the site	Council seeks a development partner to deliver the site to market	Community Housing providers develop the site	Long term lease to HNZN to develop and operate
Council retains operating control of the site.	YES Subject to rates increase	YES At a significantly reduced level and may require rates increase to achieve	NO	NO
Council retains majority ownership of the site long term	UNKNOWN This option may require sale of a large part of the site to fund the delivery of new social housing	NO	UNKNOWN Dependent on proposal being a lease or sale	YES Under this option HNZN have an option to transfer the ownership of up to 30% of Arlington sites 1 and 3 to enable a proportion of the site to be developed as affordable homes
Delivers social housing	YES Conditional on significant rates funding to deliver new units	YES At a lower level than other options	YES	YES Will deliver the highest level of social housing, noting that the Council's social housing policy will not apply to the social housing developed by HNZN
Delivers affordable housing for sale	YES Conditional on rates funding and divestment of land	YES Conditional on funding and divestment of land	YES Conditional on funding and divestment of land	YES Conditional on divestment of land to HNZN
Practically deliverable	YES Subject to significant rates funding	NO HNZN has confirmed they wish to use their right of refusal under the Deed of grant	NO HNZN has confirmed they wish to use their right of refusal under the Deed of grant	YES HNZN have funding and capacity to deliver the redevelopment
Delivers on Housing Strategy outcomes	YES	YES	YES	YES
Impact on rates	INCREASE Would require significant rates funding Dependent on level of rates funding and may require sale of a large part of the site to fund social housing	INCREASE If council retains social housing on the site	LIKELY TO BE NO IMPACT	NO INCREASE
Impact on council debt levels	INCREASE	INCREASE	LIKELY TO BE NO IMPACT	NO INCREASE

Option details**Option 1: The Council develops the site**

This option would require significant additional rates funding not currently provided for in Our 10-year Plan and/or require a large proportion of the site to be sold as private market homes to fund the redevelopment of the site. Our social housing portfolio is not funded from rates and the required funding is not currently provided for in Our 10-year Plan.

This option would limit the amount of social and affordable housing we could develop, which is not in the spirit of the Council's commitment to increase social and affordable housing.

Option 2: A developer delivers the site

This option would trigger HNZN's first right of refusal which means the land would have to be offered to HNZN first and they would look to acquire the site. This means that, in the current context, this option would not be feasible.

Option 3: Partnership with Community Housing Providers (CHPs)

This would involve a long term lease to one or more of the CHPs (providers of social and affordable rental housing). It would support the growth of the CHP sector which has been identified by Council as being a desirable outcome for the social housing sector in general, but it is unlikely to be the most affordable option for the Council. It would also trigger HNZN's first right of refusal and, in the current context, would not be feasible because HNZN would look to acquire the site.

Option 4: HNZN develops the site (our preferred option)

An agreement with HNZN means we can make good on our commitment to support an increase in the city's supply of social and affordable housing through sustainable partnerships with central government. Under this option, HNZN will be responsible for the redevelopment (including detailed design), management, funding and maintenance of the site.

The Council has already identified Arlington sites 1 and 3 for redevelopment because most of the social housing on

the site is no longer fit for purpose and we cannot develop the site without a significant impact on rates.

While we will cede control of the site to HNZN for 125 years with the long term lease, the proposal will see good quality social and affordable housing being developed on the site. This is in line with our stated commitment to increase the supply of social and affordable housing in the city.

The Council has been negotiating with HNZN about option 4 so some details may be subject to change. However, we believe the key aspects will not change. These include:

- HNZN expects to build between 230 and 300 modern, warm, dry homes which will be a mix of social and affordable housing. Up to 40 of these homes are expected to be supported living units where tenants experiencing complex issues can receive the support and help they need.
- The site would be leased to the Crown on a long term basis of 125 years.
- HNZN will retain an option to transfer ownership of up to 30% of Arlington sites 1 and 3 to enable a proportion of the site to be developed as affordable homes.
- The Crown, through HNZN, would be responsible for the redevelopment (including detailed design), social housing service management, funding and maintenance of the sites.
- The Council's masterplan for the site will be used to inform the detailed design and development of the site to help ensure good urban design and community outcomes, and appropriate density optimisation.
- The Council will receive \$1 million, which will be reinvested into the Council's social housing portfolio.

Section 4: Our preferred option - A long term lease of Arlington sites 1 and 3 to HNZN (option 4)

Our preferred option is to lease Arlington sites 1 and 3 to HNZN for 125 years, so the land can be developed for social and affordable housing.

How would the preferred option work?

A long term lease provides the Council with the opportunity to retain ownership of the land and provides HNZN with the ability to generate a return on the large investment they will make in redeveloping the site. They can also develop long term plans for the social housing on the site, including future maintenance and upgrades.

This proposal includes an option for the Crown to purchase up to 30% of the site for the development of affordable homes.

Between 230 and 300 modern, warm, dry homes will be developed with up to 40 of these homes expected to be supported living units where tenants experiencing complex issues can receive the support and help they need. The option for the Crown to buy part of the land means HNZN is also able to develop affordable housing for sale there.

Under the proposed agreement, HNZN will be responsible for the redevelopment (including detailed design), management, funding and maintenance of the site.

Enabling works for the site are likely to be extensive mainly because of its topography (the physical landscape) and existing condition. There are more than 24 metres of level change across the site and extensive retaining walls. There is potential for contaminated soil, and services and structures that will require removal before construction.

The Council's obligation to redevelop the sites would transfer to HNZN. We would make a contribution to enabling works and fees to get the redevelopment underway.

The current value of the lease is around \$14m. To compensate the Crown for releasing the Council from its Deed of Grant obligations for the site, the proposal is to reduce the lease price by \$13m. This means the Council will receive \$1m which will be reinvested in its social housing. The proposal would see the lease payment paid up front with a nominal rent over the life of the lease.

Summary of the proposed financials

Item	\$m
Gross value of Arlington site	18
Council contributions towards:	
Site costs (decontamination)	- 3.5
Fees and charges	- 0.5
Lease Value	14
Release from Deed of Grant	- 13
Net receipt to Council	1

Why are we recommending this option?

(a) Good fit with our housing strategy and masterplan

The proposed agreement enables the Council to support an increase in the city's supply of social and affordable housing through sustainable partnership with central government.

A proposed masterplan, to inform the redevelopment of the site, was completed in 2018. The Council's masterplan assessed the optimum number of housing units, urban design considerations and planning principles for the sites. The masterplan allows for the delivery of housing units in a mix of low, medium and high density homes designed to bring the community together and connect with the surrounding area.

The plan did not focus on detailed design or specific costings because these could vary depending on final decisions about how the site will be developed.

The Council agreed that the proposed masterplan be used to set the direction for future development decisions for the Arlington sites. Under this proposal further detailed design would be carried out by HNZN.

(b) Biggest increase in housing supply at least cost to ratepayers

Our social housing portfolio is not funded from rates and there is no other Council funding available to redevelop Arlington sites 1 and 3, without a significant impact on rates.

(c) Suitability of the site

The remaining homes at Arlington sites 1 and 3 are no longer fit for purpose and it is neither practicable nor cost effective to upgrade them and achieve the outcomes we are seeking. The large, centrally located site is well suited for medium to high density housing, however. It is within easy walking distance of the city centre and the local facilities make it an ideal location for social housing tenants, among others.

The Arlington site provides the Council and HNZN with an opportunity to work together to redevelop a large, central city site to provide more social and affordable housing options for Wellingtonians.

The new site will be one of Wellington's first large scale mixed tenure developments, with a range of homes that are well-connected to the surrounding neighbourhood.

Mixed tenure sites are common overseas and have demonstrated good outcomes for residents and communities when they are well designed and managed. They are a good way of providing a diverse range of housing that meets many needs including for vulnerable people and those who would otherwise find it hard to buy their own home.

(d) Quality homes

HNZN builds homes to a higher standard than some of the requirements set down in the New Zealand building code. For this proposal, HNZN will target a Homestar 6 rating. The New Zealand Green Building Council states that a Homestar 6 rating or higher provides assurance that a house is better quality - warmer, drier, healthier and costs less to run - than a typical new house built to building code standards.

(e) Reinvest income into our housing stock

The Council will receive \$1 million from the Crown, which we will reinvest into the Council's social housing.

No annual rental or other sale price will be paid by the Crown other than a nominal rent of \$1.

(f) An improvement on the city's current levels of service

Today most of the housing in Arlington sites 1 and 3 is vacant. Our proposal would see the site redeveloped with modern social housing. HNZN would be the operator of the site. This creates an opportunity for eligible tenants to access Income Related Rent Subsidies.

In summary, the levels of service at the sites would be improved by the creation of new, modern social housing and the availability of rent subsidies for eligible tenants.

Accountability and monitoring

We are working with HNZN to negotiate the accountability and monitoring arrangements to make sure the proposed terms are delivered.

We have not identified any conflicts of interest arising from the proposed partnership.

Deed of Grant implications

In 2008 the Crown entered into an agreement with Council (the Deed of Grant) and contributed \$220 million to the 20 year programme to upgrade Council's social housing stock. The Deed of Grant runs until 2037 and as part of this agreement Council has an obligation to maintain a certain number of social housing units. Under the Deed of Grant, HNZN has the first right of refusal to purchase any social housing units/ sites should the Council wish to sell.

The Crown and Council have agreed that Council will not be in breach of the Deed and we will continue to deliver on our obligations.

Section 5: How does the HNZC proposal affect Our 10-year Plan budget? - overall no material change

Current proposal compared with Our 10-year Plan

Our 10-year Plan already included the intention to partner with another housing provider, whether through Central Government, a Community Housing Provider or privately owned property developers. At the time Our 10-year Plan was signed off we were investigating these possibilities but there was no specific agreement or proposal.

Because most of Arlington sites 1 and 3 are empty, there is minimal impact on the housing budgets.

Our 10-year Plan spending forecast (2018-2028)

	Our 10-year Plan	Current proposal
Net Operating expenditure	\$98m	\$102m
Capital Expenditure	\$185m	\$185m

There will be a one-off release from Deed cost of \$13m.

The proposed arrangement would have no impact on capital expenditure because Our 10-year Plan had assumed a partnership arrangement would be put in place for the site to be redeveloped.

Impact on rates

Our 10-year Plan assumes that all housing operations are funded through rents and not rates. This proposal ensures there is no additional risk of rates increase.

Impact on debt levels

The level of borrowing broadly depends on the amount of capital expenditure and also the increases or decreases in cash flow due to operational activities. The changes are minor, and therefore there are no material changes in the levels of debt.

The proposed amendment to Our 10-year Plan

We are proposing to amend the Statement of Service Provision in Our 10-year Plan to explicitly provide for this proposal, as the legislation requires. We are proposing to include additional wording as follows to page 96 of

volume one of Our 10-year Plan 2018-28. The section to be amended, should the proposal proceed, can be viewed on our website at:

10yearplan.wellington.govt.nz/documents

During 2019 we will enter into an agreement with Housing New Zealand Corporation (HNZC) for the development of Arlington sites 1 and 3. HNZC expects to build between 230 and 300 homes on the site - a mix of social and affordable housing, including up to 40 supported living units for tenants with complex issues.

The site would be leased to the Crown for 125 years. HNZC will retain an option to transfer up to 30% of Arlington sites 1 and 3 so part of the site can be developed as affordable homes for sale. HNZC will be responsible for the redevelopment (including detailed design), social housing service management, funding and maintenance of the site. HNZC will develop the site with reference to the existing masterplan. The Council will receive \$1 million, which will be reinvested into the Council's social housing portfolio.

Other impacts of the proposal

Arlington sites 1 and 3 will continue to provide social housing. HNZC has different criteria for their social housing service, so this may alter (to some extent) who is eligible for it. There may also be some other impacts, for example local infrastructure such as water services and roads. HNZC would look into that as part of the next stage of design, if the proposed agreement goes ahead.

Section 6: Previous relevant consultations

As part of the public consultation on Our 10-year Plan in 2018, housing was included as a priority area. There was strong public support for housing as a key priority for Council.

We also sought your views on our Housing Strategy as part of public consultation on Our 10-year Plan in 2018. The strategy was strongly endorsed by Wellingtonians.

The consultation for Our 10-year Plan also sought public feedback on two housing-related projects, which received strong public support:

Strategic Housing Investment Plan (SHIP)

- We proposed to leverage a portion of the land/sites we own - either through sale or lease - to attract investment from other housing providers, central government and developers to deliver affordable housing on those sites (in conjunction with the Council's social housing). Once more detail is developed for each site, further engagement on the arrangements and funding options with stakeholders will take place. The proposed Arlington development comes under the SHIP.

Supported living

- We proposed to work in partnership with HNZA and the Ministry of Social Development to establish supported living options for our most vulnerable homeless population. This will add to the programmes we already support to reduce homelessness in the city. The proposal for HNZA to include up to 40 supported living units in a redeveloped site is in line with the Council's stated intent.

Section 7: This consultation - how to have your say

We are now consulting the public on the proposal to enter into an agreement with HNZC for the redevelopment of Arlington sites 1 and 3. We are seeking public views and engaging with key stakeholders in the housing sector. Please take the time to get involved.

Consultation is open from 29 April to 29 May 2019.

Where to find more information

You can find everything you need to know about this consultation, including the supporting information, on our website at:

www.wellington.govt.nz/arlingtonconsultation

Hard copies of the documents are also available from the Council's Service Centre at 101 Wakefield Street and the public libraries in Brooklyn and Newtown.

Written feedback

You can make a submission by completing the feedback form online; print a copy of it, fill it in and send it to the freepost address on the form or email arlington@wcc.govt.nz

Face to face

You can speak about your submission at the oral hearing - an opportunity for you to share your views with Councillors before they make a decision on the proposal. Tick the box on your feedback form to say you'd like to be heard at the oral hearing and we will be in touch with you to let you know the date, time and place.

The next steps

When we have completed this public consultation, the results and a recommendation will be presented to the Council in June 2019. After oral hearings, Councillors will use all the information to inform decision making about the proposed redevelopment of Arlington Apartment sites 1 and 3.

If the Council agrees to proceed with the agreement, we will then finalise the terms with HNZC.

Privacy Statement - your personal information

The information Wellington City Council collects from you will be used to help us make decisions about improvements and projects across the city.

It is important to note that your username and any comments you make will be publicly available, including online.

Your contact details and demographic information (age, ethnicity, etc) will only be seen by Council staff, and will be used to contact you if you've asked to be kept up to date with a project or change proposal, or to clarify your views if we need more detail. We may use your details to invite you to give your views on other projects or proposals. We will also use this information to help make sure we're hearing the views of a wide range of people.

You can find out more about how the Council handles your personal information by reading our Privacy Statement on our website: www.wellington.govt.nz/your-council/dealing-with-the-council/privacy-statement

You have the right to ask for a copy of any personal information we hold about you, and to ask for it to be corrected if you think it is wrong. If you'd like to ask for a copy of your information, or to have it corrected, please contact us at assurance@wcc.govt.nz or PO Box 2199, Wellington 6140.

Section 8: Independent Auditor's Opinion

Audit opinion to be tabled.

Our Housing Strategy

Wellington Towards 2040: Smart Capital is the Council's strategic plan for the city. Its four goals focus on collaboration, not competition, and aim to build Wellington's resilience in the face of future environmental, economic and social challenges.

Vision *All Wellingtonians well housed*

Guiding principles

We will play an active leadership role to enable housing solutions.

We will continue to build on existing partnerships with central government and communities.

We will make well-informed decisions that are strategic and co-ordinated.

Our current housing system is not equitable - we support a housing sector that looks after our vulnerable communities.

Housing is a regional market - opportunities and challenges exist across the Wellington region.

Housing has a broader context and is key to supporting a resilient and sustainable city.



Scope

We'll work with other housing stakeholders to support all parts of the housing market, including temporary housing, short and long-term rental, and home ownership.

10-year outcomes for Wellington

A well-functioning housing system

Good quality and resilient homes

Homes meet the needs of residents

Our housing system supports sustainable, resilient and connected communities

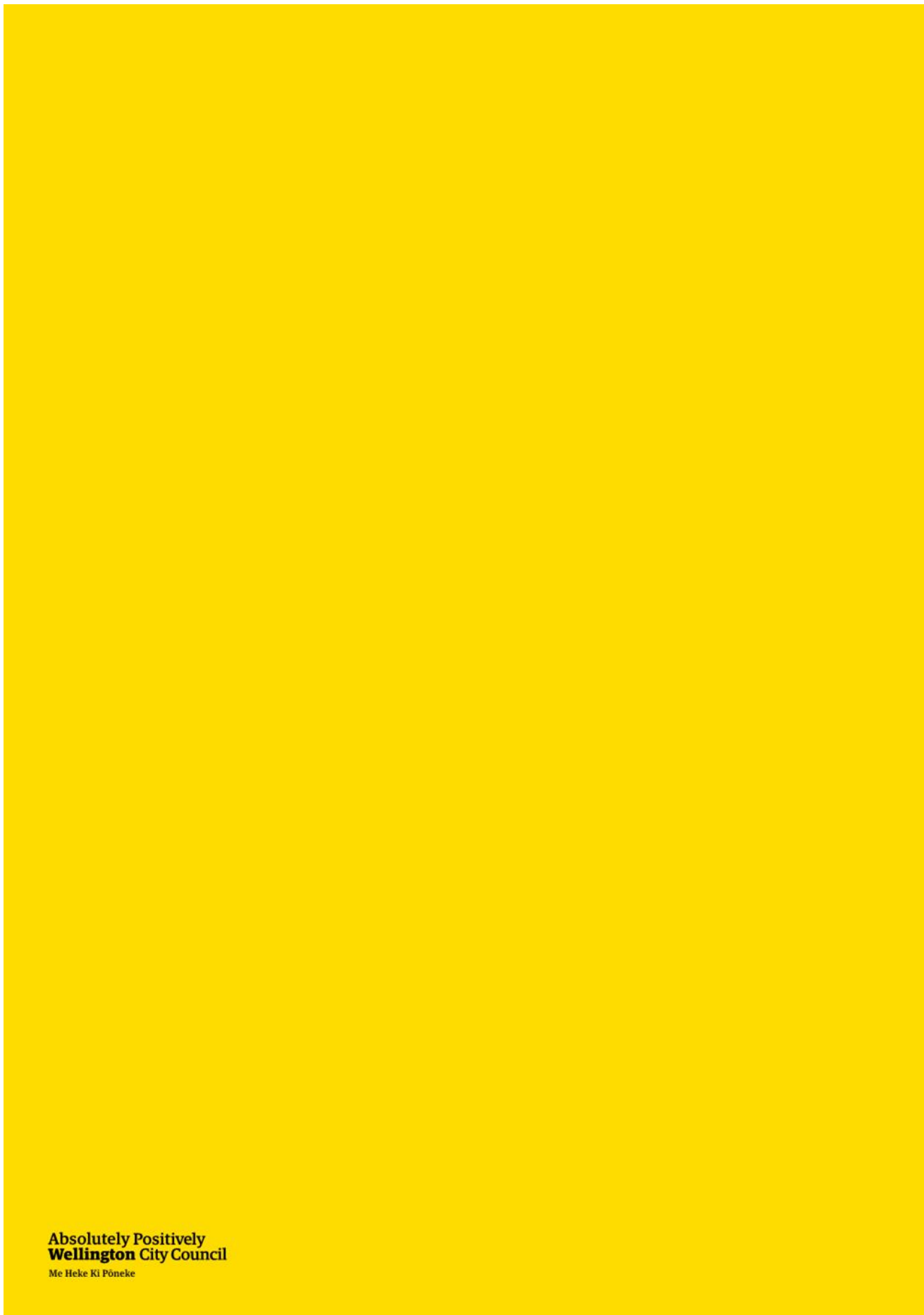
How we'll get there

Delivering on our Housing Action Plan

Central government initiatives and partnerships

Developing the housing sector in Wellington

Being easy to do business with and supporting housing initiatives led by others



Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Arlington redevelopment project

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

We want to hear your views on the Arlington redevelopment project - proposed change to *Our 10-year Plan*. **Tell us what you think by 5pm, on Wednesday 29 May.**

You can find everything you need to know about this consultation, including the supporting information, on our website at www.wellington.govt.nz/arlingtonconsultation.

Hard copies of the documents are also available from the Council service centre at 101 Wakefield Street and the public libraries in Newtown and Brooklyn.

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Section 1 – your details

Your name*:
Your email or postal address*:
<p>You are making this submission:</p> <p><input type="checkbox"/> as an individual</p> <p><input type="checkbox"/> on behalf of an organisation. Your organisation's name:</p>
<p>I would like to make an oral submission to the Councillors <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please give your phone number so that a submission time can be arranged*:</p>

*mandatory field

Section 2 – question about the Arlington redevelopment project

The Council proposes to enter into an agreement with Housing New Zealand Corporation (HNZC) to enable the development of social and affordable homes at Arlington sites 1 and 3. The main aspects of the proposal are:

- HNZC expects to build between 230 and 300 homes on the site - a mix of social and affordable housing, including up to 40 supported living units for tenants with complex issues.
- The site would be leased to the Crown for 125 years.
- HNZC will retain an option to transfer ownership of up to 30% of Arlington sites 1 and 3 so part of the site can be developed as affordable homes for sale.
- The Crown, through HNZC, will be responsible for the redevelopment (including detailed design), social housing service management, funding and maintenance of the site.
- HNZC will develop the site with reference to the existing masterplan.
- The Council will receive \$1 million, which will be reinvested into the Council's social housing portfolio.

Do you have any comments about the proposal?

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Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke



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