



Briefing

Wellington City Council – Council Consideration of Options for its City Housing Portfolio			
Date:	4 May 2021	Security level:	In Confidence
Priority:	Medium	Report number:	BRF20/21040927

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	Note the contents of this briefing Refer a copy of this briefing to the Minister of Finance and Associate Minister of Housing (Hon Poto Williams)	6 May 2021

Contact for discussion				
Name	Position	Telephone		1st contact
Naomi Stephen-Smith	Manager, Market and Supply Responses	04 832 2433	s 9(2)(a)	✓
Daniel Lawrey	Principal Policy Advisor	04 830 6932		
Jo Murray	Principal Advisor	04 832 2513	s 9(2)(a)	

Other agencies consulted
The following agencies have been consulted: the Treasury, Ministry of Social Development, Department of Internal Affairs, Kāinga Ora – Homes and Communities, and Crown Infrastructure Partners.

Minister's office to complete

<ul style="list-style-type: none"> <input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) 	<p>Comments</p>
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Date returned to HUD:

Briefing

Wellington City Council – Council Consideration of Options for its City Housing Portfolio

For: Hon Dr Megan Woods, Minister of Housing

Date: 4 May 2021

Security level: In Confidence

Priority: Medium

Report number: BRF20/21040927

Purpose

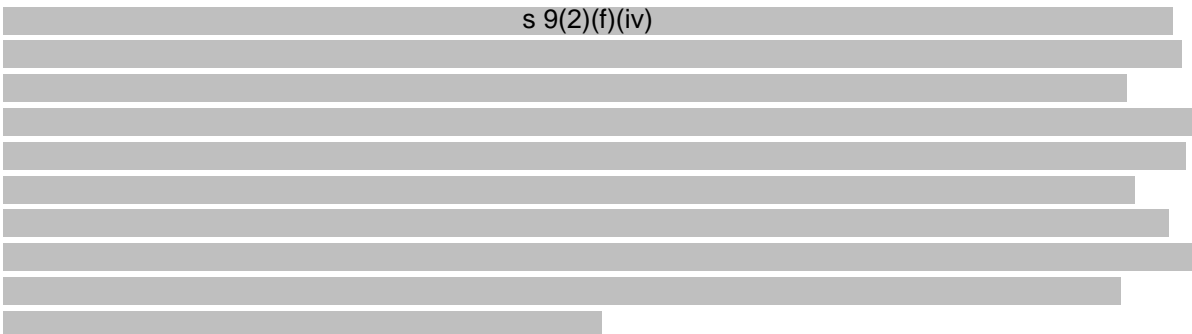
1. The purpose of this briefing is to provide an update on Wellington City Council's (WCC's) city housing. On 6 May 2021, WCC will publish a paper regarding financial sustainability challenges for its city housing portfolio. The council paper will then be considered by the Strategy & Policy Committee on 13 May 2021.

Executive summary

2. WCC faces significant financial sustainability challenges in respect of its city housing portfolio.
3. On 6 May 2021, WCC will publish a paper to the Strategy & Policy Committee on options to address financial sustainability challenges for its city housing portfolio. The Strategy & Policy Committee will consider the paper on 13 May 2021. Alongside this WCC process, the Minister of Housing and Minister of Building and Construction are meeting the Mayor and Chief Executive of WCC on 10 May 2021. The purpose of the meeting is to discuss WCC's Briefing to Incoming Ministers.
4. There is the potential WCC will seek Crown support for its city housing. The Minister of Housing may need to consider how to respond to any approach from WCC for Crown support.

5.

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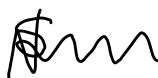
Recommended actions

10. It is recommended that you:

1. **Note** Wellington City Council faces funding challenges for operating its city housing portfolio and financing challenges for its city housing upgrade programme *Noted*
2. **Note**, on 13 May 2021, Wellington City Council's Strategy & Policy Committee will consider options to address financial sustainability challenges for its city housing portfolio *Noted*
3.

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Noted
4. **Note** HUD is providing advice on options to support council housing across New Zealand, s 9(2)(f)(iv) in late June 2021 *Noted*
5. **Refer** a copy of this briefing to the Minister of Finance and Associate Minister of Housing (Hon Poto Williams) for their information *Agree / Disagree*
6. **Indicate** if the Minister of Housing wishes to meet with HUD officials to discuss Wellington City Council's city housing portfolio *Yes / No*



Naomi Stephen-Smith
Manager, Market and Supply Responses

.04 / .05 / 2021

Hon Dr Megan Woods
Minister of Housing

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Background

11. WCC has been providing city housing since the 1950s and holds more than 1,900 city housing units. WCC provides city housing for 3,000-4,000 tenants at any time. Around 15 percent of city housing tenants are children and around 10 percent are aged 65 or older. WCC's city housing rents are set at 70 percent of market rent (although people with higher levels of assets pay 100 percent of market rent). WCC has indicated that a significant majority of its tenants would qualify for Income-Related Rent if they were public housing tenants.
12. In 2007, WCC signed a Deed of Grant with the Crown for the upgrade of its city housing stock to ensure that its portfolio is safe, secure and of a good standard for modern living. Under the Deed of Grant the Crown provided a \$220m Crown Grant and WCC entered into obligations regarding investment and management for its city housing.
13. On 29 January 2021, HUD provided the Minister of Housing with a briefing on WCC's city housing deed of grant annual report [BRF20/21010846]. s 9(2)(f)(iv)
[REDACTED]
14. On 23 March 2021, the City Housing Team at WCC met with councillors to discuss the challenges facing the city housing portfolio. Following that meeting, council officers have undertaken further work on options for the city housing portfolio.

WCC's Strategy & Policy Committee will consider options for its city housing on 13 May 2021

15. On 6 May 2021, WCC will publish a paper regarding financial sustainability challenges for its city housing portfolio. The council paper will then be considered by the Strategy & Policy Committee on 13 May 2021.
16. The council paper will set out options to address financial sustainability challenges. Some of the options involve seeking financial support from the Crown and/or Crown agreement to amend obligations under the Deed of Grant.
17. In addition, the Minister of Housing and Minister of Building and Construction are meeting the Mayor and Chief Executive of WCC on 10 May. The purpose of the meeting is to discuss WCC's Briefing to Incoming Ministers. HUD is working with the Ministry of Business, Innovation and Employment (MBIE) to provide a meeting note for this event, which will be consistent with this briefing.

WCC has obligations under the 2007 Deed of Grant with the Crown

18. The Deed of Grant can be conceptualised as three decade-long tranches. The first tranche, which exhausted the Crown Grant,¹ was focused on the first half of the Housing Upgrade Programme and was completed in October 2018. The second tranche, which was due to begin in 2021 is focused on the second half of the Housing Upgrade Programme and was to be funded through the Council's \$180 million contribution. The delay between these phases was planned so that WCC was able to accumulate the funds it needed. WCC is yet to seek approval for the second phase work-programme, and has not begun work.² The final tranche requires WCC to continue its obligation to maintain its city housing stock at the same level (as when the deed was signed) until at least 2037.

¹ Phase one of the Housing Upgrade Programme cost more than initially anticipated (\$220m) and resulted in WCC contributing \$17m due to an actual upgrade cost of \$237m. WCC is required to fund the remainder of the upgrade programme (Phase Two), which is scheduled to run from 2021 to 2028

² WCC is still carrying out ongoing Maintenance including Healthy Homes Compliance.

19. HUD took over the monitor role for the Crown's Grant in late 2018 from MBIE. The monitor role is to ensure that WCC complies with the terms and conditions of the Crown Grant, being primarily:
- a. Maintain city housing levels of approx. 2300 units until June 2037.
 - b. Upgrade the housing portfolio by contributing WCC's \$180 million share to the future upgrade programme.
 - c. Reinvest/ring-fence all rental income from the housing portfolio and the net sales proceeds from all disposals.
 - d. No debt raising against the housing portfolio.³

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Consultation

46. The following agencies have been consulted on this briefing: the Treasury, Ministry of Social Development, Department of Internal Affairs, Kāinga Ora – Homes and Communities, and Crown Infrastructure Partners.

Next steps

47. The next steps are as follows.
- a. 6 May – WCC will publish the paper to the Strategy & Policy Committee on WCC city housing.
 - b. 10 May – The Minister of Housing and Minister of Building and Construction are meeting the Mayor and Chief Executive of WCC. The purpose of the meeting is to discuss WCC’s Briefing to Incoming Ministers.

- c. 13 May – WCC’s Strategy & Policy Committee will consider the paper on WCC city housing.
- d. Late June 2021 – HUD will provide advice on options to support council housing across New Zealand.

Annexes

- 48. Annex A: Estimated stock of council-owned housing

Annex A: Estimated stock of council-owned housing

Place	Total stock as reported in Community Housing Aotearoa's 2014 survey	Known transfers to registered CHPs	Estimated total remaining
Ashburton	118		118
Auckland	1412	1412 <i>(Haumaru Housing Limited Partnership)</i>	0
Buller District	44		44
Carterton	38		38
Central Hawkes Bay	48		48
Central Otago	98		98
Chatham Islands	4		4
Christchurch	2649	2376 <i>(O tautahi)</i>	273
Clutha	98		98
Dunedin	954		954
Far North	147		147
Gisborne	132		132
Gore	6		6
Grey District	125		125
Hamilton	344	344 <i>Accessible Properties Limited</i>	0
Hastings	220		220
Hauraki	56		56
Horowhenua	115	115 <i>Compassion Housing</i>	0
Hurunui	37		37

Hutt City	205		205
Invercargill	215		215
Kaikoura	17		17
Kaipara	56		56
Kapiti Coast	118		118
Kawerau	27		27
MacKenzie	10		10
Marlborough	177		177
Masterton	86		86
Matamata-Piako	118		118
Napier	376		376
Nelson	142	142 <i>Nelson Housing Trust and subsequently to Kāinga Ora</i>	0
New Plymouth	142		142
Otorohanga	28		28
Palmerston North	414		414
Porirua	29		29
Queenstown Lakes	19		19
Rangitikei	74		74
Rotorua	152		152
Ruapehu	66		66
Selwyn	25		25
Southland	69		69
South Taranaki	74		74
South Waikato	79		79
South Wairarapa	32		32
Stratford	10		10
Tararua	92		92

Tasman	101		101
Taupo	66		66
Tauranga	246		246
Timaru	245		245
Waimakariri	126		126
Waimate	27		27
Waipa	131		131
Wairoa	32		32
Waitomo	24		24
Whanganui	293		293
Wellington	2332		2332
Western Bay of Plenty	60		60
Westland	55		55
Whakatane	79	79 <i>Tauranga Community Housing Trust</i>	
Whangarei	165		165
Total	13,479	4,468	9,011