



DOIA20/21070598

F. Jones
fyi-request-16138-62998812@requests.fyi.org.nz

Dear F. Jones

Thank you for your email on 20 July 2021 requesting the following information under the Official Information Act 1982 (the Act):

All advice, emails and correspondence between the Ministry of Housing and Urban Development (HUD) and Ministers - and between HUD and the Wellington City Council - from 1 January 2021, in relation to Wellington City Council's (WCC's) social housing portfolio and the associated Deed of Grant signed between the Crown and WCC.

On 29 July 2021, we asked you to refine your request because, as it stood, it may have required substantial collation to respond. On 1 August 2021, you refined your request to:

All advice, briefings, papers and aides-memoire between the Ministry of Housing and Urban Development (HUD) and Ministers - and between HUD and the Wellington City Council - from 1 April 2021, in relation to Wellington City Council's (WCC's) social housing portfolio and the associated Deed of Grant signed between the Crown and WCC.

We have identified five documents in scope of your request which are being released to you with some information withheld under the following sections of the Act:

Section of Act	Reason to withhold
9(2)(a)	Protect the privacy of natural persons, including that of deceased natural persons
9(2)(ba)(i)	protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
9(2)(f)(iv)	Maintain the constitutional convention for the time being which protects the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any department or organisation in the course of their duty

The email between Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development and the office of Hon Dr Megan Woods, Minister of Housing, included two attachments. One of the attachments is withheld in full under section 9(2)(g)(i). The second attachment is released with some information withheld. Note that this attachment refers to Calabar Road property closing due to seismic issues, rather it was instead sold as a compulsory acquisition.

BRF20/21071028 included, as an annex, a draft letter for the Minister to send to the Mayor of Wellington City. We have instead included the final version that was sent to the Mayor.

You are only provided with pages 4-5 of M/EB20/21040130 / 2021-3343 as the remainder of the document is not in scope of your request. Parts of Annex 1 were in scope of your request but are withheld under section 9(2)(g)(i).

The above information is summarised in the attached document schedule.

In terms of section 9(1) of the Act, I am satisfied that, in the circumstances, the decision to withhold information under section 9 of the Act is not outweighed by other considerations that render it desirable to make the information available in the public interest.

You have the right to seek an investigation and review of my response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz.

As part of our ongoing commitment to openness and transparency, the Ministry proactively releases information and documents that may be of interest to the public. As such, this response, with your personal details removed, may be published on our website.

Yours sincerely



Naomi Stephen-Smith
Manager Market and Supply Response

Annex 1: Document schedule

Tracking number	Date	Title	Sections of the Act applied
BRF20/21040927	4 May 2021	Wellington City Council – Council Consideration of Options for its City Housing Portfolio	9(2)(a) 9(2)(f)(iv)
M/EB20/21040130 / 2021-3343	5 May 2021	Meeting with the Mayor of Wellington, Andy Foster, and Barbara McKerrow, Chief Executive of Wellington City Council	9(2)(ba)(i) 9(2)(f)(iv) 9(2)(g)(i) Out of scope
AMI20/21050527	27 May 2021	Wellington City Council: Ministers' Meeting on City Housing 31 May 2021	9(2)(a) 9(2)(f)(iv)
IREQ20/21060972	16-24 June 2021	Email: Wellington City Council: Response to Request for Information on WCC Housing Stock and CHP Establishment Timing, including attachment 2 Attachment 1 withheld in full under 9(2)(g)(i)	9(2)(a) 9(2)(f)(iv) 9(2)(g)(i)
BRF20/21071028	5 July 2021	Response to Wellington City Council's letter and further work on City Housing's financial challenges	9(2)(a) 9(2)(f)(iv)



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		1 st 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

<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) <hr/>	Comments
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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. s 9(2)(f)(iv)

6.

7.

s 9(2)(f)(iv)

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9.

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 | <i>Noted</i> |
| 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 | <i>Noted</i> |
| 3. | s 9(2)(f)(iv) | <i>Noted</i> |
| 4. | Note HUD is providing advice on options to support council housing across New Zealand, s 9(2)(f)(iv) in late June 2021 | <i>Noted</i> |
| 5. | Refer a copy of this briefing to the Minister of Finance and Associate Minister of Housing (Hon Poto Williams) for their information | <i>Agree / Disagree</i> |
| 6. | Indicate if the Minister of Housing wishes to meet with HUD officials to discuss Wellington City Council's city housing portfolio | <i>Yes / No</i> |

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)(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

s 9(2)(f)(iv)

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³ Under clause 6(g) of the Deed, WCC can obtain new debt for upgrading the housing portfolio and reinvest the income to meet the costs of retiring such debt and related interest costs.

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Official Information Act 1982

Released under the Official Information Act 1982

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

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Annex A: Estimated stock of council-owned housing

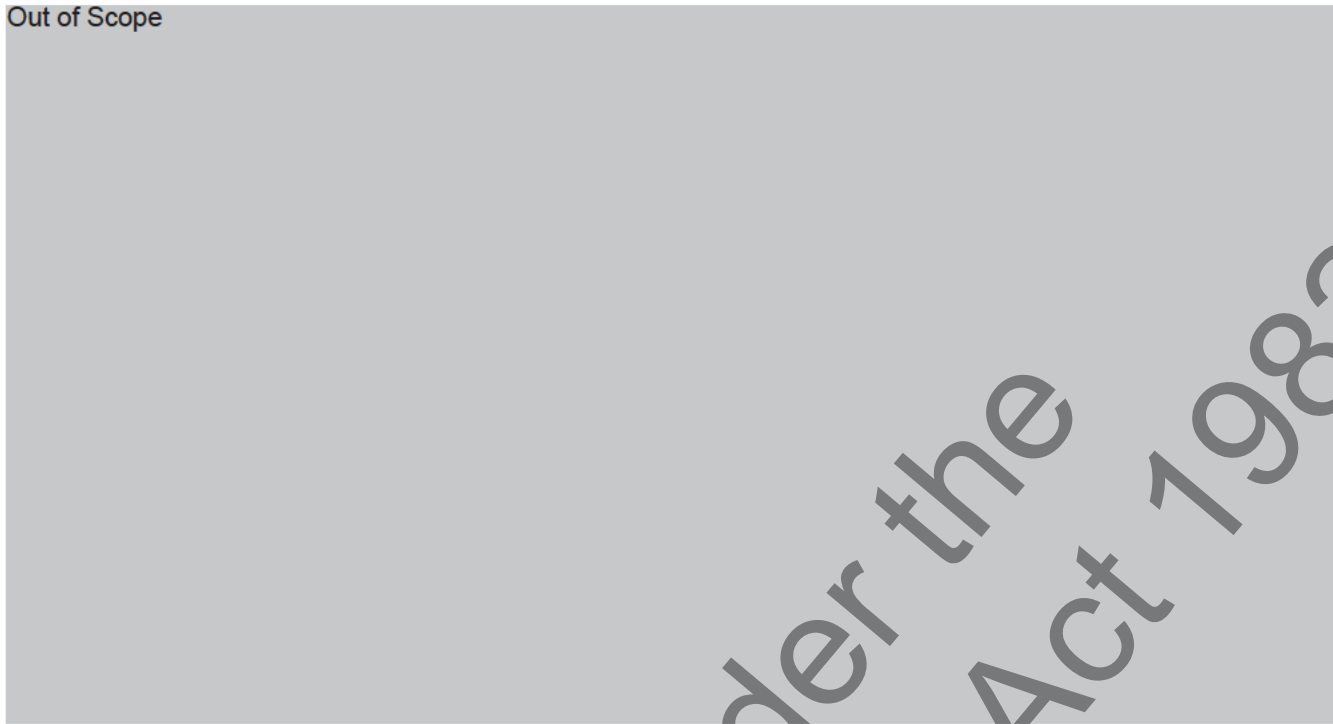
Place	Total stock as reported in Community Housing Aotearoa's 2014 survey	Known transfers to registered CHPs	Estimated total remaining
Ashburton	118		118
Auckland	1412	1412 <i>(Haumaru Housing Limited Partnership)</i>	0
Buller District	44		44
Carterton	38		38
Central Hawkes Bay	48		48
Central Otago	98		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

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Out of Scope



s 9(2)(ba)(i)

13. In 2007, the Council signed a Deed of Grant with the Government committing it to remain as a social housing provider until at least 2037 and to upgrade its portfolio to modern standards. The government provided \$220m to support its commitments,

s 9(2)(ba)(f)

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s 9(2)(f)(iv)

17.

18. s 9(2)(f)(iv)

The Council is reviewing the way they provide social housing

- 19. The Council is also interested in exploring opportunities to work in partnership, including access to Income Related Rent Subsidy (Rent Subsidy).
- 20. The Rent Subsidy is available to Kāinga Ora and registered community housing providers. Council-owned properties are not eligible for the Rent Subsidy under current settings. Kāinga Ora is able to indirectly access the subsidy if housing stock is transferred and managed by an arms-length provider. The subsidy is not available for existing tenants at the time of the transfer but providers can receive Rent Subsidy for housing new tenants from the Housing Register.

21. s 9(2)(f)(iv)

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22.

- 23. The Government is investing more where there is urgent need for public housing. The Government is pressing ahead with delivering more long-term transitional housing, which will eventually reduce and end our reliance on motels as a form of temporary accommodation.
- 24. As at February 2021 there were 73,520 public housing places across New Zealand, including 2,009 public housing tenancies in Wellington City.
- 25. The Public Housing Plan 2021-2024 sets out the Government's plan for responding to the housing needs of the people affected by housing shortages; the Plan focuses on delivering additional housing where it is needed most. The Plan provides for between 470 and 690 extra public housing places in the Wellington region over the next four years, and 160-170 transitional housing places. Of these, initial indications suggest around 228 public housing places will be delivered in Wellington City by 2024.

Out of Scope



Aide-memoire

Wellington City Council: Ministers' Meeting on City Housing (31 May 2021)

For: Hon Dr Megan Woods, Minister of Housing

Date: 27 May 2021

Security level: In Confidence

Priority: Low

Report number: AMI20/21050527

Purpose

1. On 31 May 2021, you are meeting with the Minister of Finance and Associate Minister of Housing (Hon Poto Williams) to discuss Wellington City Council (WCC) city housing. s 9(2)(f)(iv)

Background

WCC's Social, Cultural and Economic Committee will consider city housing financial sustainability on 2 June 2021

2. On 4 May 2021, Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) provided the Minister of Housing with a briefing on WCC's city housing [BRF20/21040927]. The briefing explained WCC's financial challenges s 9(2)(f)(iv)

3. Subsequently, WCC officers informed HUD that WCC councillors' consideration of city housing financial sustainability was postponed from 13 May 2021 to 2 June 2021. Following WCC councillors' consideration of options, WCC may request support from the Crown.

WCC faces financial challenges for its city housing

4. WCC projects its city housing portfolio will run at a \$7m per annum operating deficit in the 2021/22 financial year, increasing to a \$49m per annum operating deficit by 2031/32.
5. WCC is also facing a significant shortfall in the funding required to deliver the agreed upgrade programme under the Deed of Grant. In 2008, through a Deed of Grant, the Crown provided a \$220m grant to assist with the upgrade of WCC's housing portfolio. This was subject to a series of conditions including that WCC would maintain approximately the same level of social housing. The Crown's funds were exhausted on Phase One of the Housing Upgrade Programme.
6. Under the Deed of Grant, WCC is required to contribute its own funds (generated from the housing portfolio) to meet its commitment to upgrade its housing stock to a good standard for modern living, in general accordance with the work programme. Phase Two of the Housing

Upgrade Programme, which is scheduled to run from 2021 to 2028 is expected to cost ~\$285m based on 2020 revised estimates.

7. WCC states that the cost of the full capital upgrade and maintenance needs for city housing over the next 10 years is \$446m.

WCC options and links to upcoming HUD advice on council housing

WCC has identified options to address financial challenges for its city housing

8. WCC officers have prepared a paper on city housing financial sustainability. The paper recommends that WCC establishes a Community Housing Provider (CHP) and requests immediate access to Income-Related Rent Subsidies for all existing, eligible tenants.

9. s 9(2)(f)(iv)

10. Annex A sets out the options identified by WCC officers. The options are:

- a. Option 1: Establish a CHP;
- b. Option 2: Rates and borrowing; and
- c. Option 3: Divestment.

s 9(2)(f)(iv)

12. In response to HUD's 4 May 2021 briefing on WCC city housing, the Minister of Housing sought more information on WCC's projected rates increases and debt headroom. The projections are:

- a. WCC's rates will increase 15.99 percent for the 2021/22 financial year; and
- b. WCC's debt will peak at 239 percent of annual income in the 2022/23 financial year and fall to 134 percent of annual income in 2030/31.

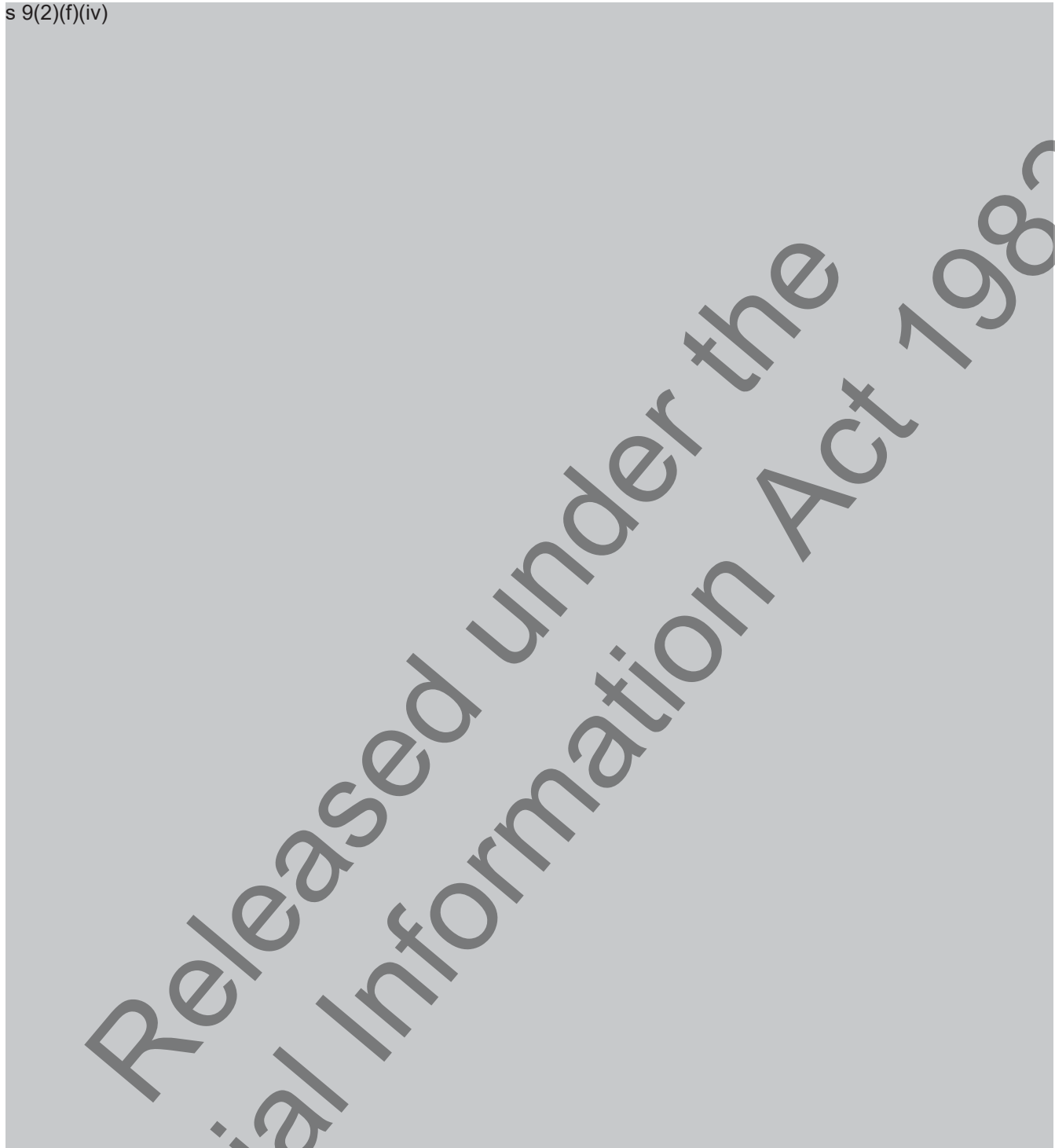
13. Annex C provides further information on WCC's projected rates increases and debt track.

14. WCC council officers have assessed the option of using rates and borrowing to fund city housing. If WCC funded the full city housing operating deficit through rates on top of the rates path in the proposed Long-Term Plan, WCC projects an average annual rates increase of 10.75 percent every year for the 10 years of the Long-Term Plan. WCC estimates that the housing capital programme could be included within WCC's 225 per cent debt-to-revenue limit (based on the Long-Term Plan programme currently being considered). However, WCC officers' view is that fully funding the capital programme through debt is not the preferable

¹ s 9(2)(f)(iv)

solution. Instead, officers recommend exploring an off-balance sheet solution (e.g. a Special Purpose Vehicle).

s 9(2)(f)(iv)



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Annexes

20. Annex A: Options identified by WCC officers

21. s 9(2)(f)(iv)

22.

Annex A: Options identified by WCC officers

Options identified by WCC officers	WCC officers' description of the option
Option 1: Establish a CHP (WCC officers' recommendation)	<ul style="list-style-type: none"> • Establish a CHP (new entity) to enable tenants to access the IRRS and substantially address the operating deficit (subject to public consultation) • Negotiate with the government for the CHP to receive immediate access to the IRRS for all current, eligible tenants, rather than only for new tenants as properties turn over (current government policy settings) • Establish a sustainable financing model to fund the CHP's housing upgrade and asset maintenance requirements which may be another new entity (e.g. an SPV), or other arrangement, depending on subsequent decisions about the CHP structure (subject to public consultation) • If required, commit to provide a one-off capital injection to set the CHP (or SPV) up on a sustainable long-term footing, the size of which will depend on the terms of access to the IRRS and the financing terms available to the CHP or SPV (subject to public consultation) • Fund city housing's operating deficit and capital shortfall through debt and City Housing cash reserves until the CHP is operational (up to three years).
Option 2: Rates and borrowing	Removal of the ring-fencing of city housing operations by fully rates funding the operating deficit and debt funding the full capital programme – on the basis that the rates and debt impact would be unsustainable given other Council funding pressures
Option 3: Divestment	Full or partial divestment of the city housing portfolio – based on the Council's commitment to social and affordable housing provision, the Deed commitment with the Crown, and the lack of a buyer of sufficient scale to purchase the entire portfolio

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From: [Jo Murray](#)
To: [Amy Harrison - Parliament](#)
Cc: [Ministerial Services](#); [Bronwyn Hollingsworth](#)
Subject: Wellington City Council: Response to Request for Information on WCC Housing Stock and CHP Establishment Timing
Date: Tuesday, 15 June 2021 5:03:20 PM
Attachments: [200614 HUD Request For Information \(Stock Analysis\).xlsx](#)
[image001.png](#)
[image003.png](#)
[image005.png](#)
[image007.jpg](#)
[210615 WCC - Key Observations from the Housing Stock Data.docx](#)
[image002.png](#)
[image004.png](#)
[image006.png](#)
[image008.jpg](#)

Kia ora Amy,

On 31 May 2021, following a meeting of Ministers Woods, Williams and Robertson on Wellington City Council you requested:

- a detailed analysis of Wellington City Council's housing stock including such features as age, condition, cost to repair etc;
- advice on the process and timeframe to register as a community housing provider.


Wellington City Council: Housing Stock Analysis

Summary

Attached is (1) a detailed housing stock analysis prepared by Wellington City Council staff (in excel) and (2) a set of key observations prepared by HUD.

Additional Commentary

s 9(2)(f)(iv)



Establishing a Registered Community Housing Provider

Summary

s 9(2)(f)(iv)

Background

The formal process for becoming a registered community housing provider and Class 1 Social Landlord is straightforward and can take as little as 3-4 months provided the material lodged by the applicant is complete and demonstrates that the applicant can meet the Performance Standards set by the Community Housing Regulatory Authority (CHRA).

On application lodgement, CHRA will conduct a high level review of the application and get back to the applicant within 30 Business Days if any glaring omissions are noted, then it will conduct a thorough review of the application against the Performance Standards, speak with the applicant and seek further information (if needed) and then issue a decision letter – in as little as 60 to 90 days.

The Performance Standards cover the applicant entity structure, governance, management, financial viability, tenancy management, and property and asset management. These can be found at www.chra.hud.govt.nz.

What tends to take the most time is the process to prepare for application lodgement. Where an intending applicant is starting from scratch it can in some cases take a couple of years to decide on their entity structure, what housing assets will sit within the entity, how the entity will be financed, what IT systems it will use, who it will contract with for reactive maintenance and lifecycle works, to write up compliant policies (which can be adapted from existing City Housing policies), to recruit staff, to find an office location and the like. Te Ahuru Mowai (the Ngati Toa CHP in Porirua) managed the process in under a year, with the assistance of existing CHPs and a clear understanding from the outset that it would lease the housing assets from Kainga Ora.

s 9(2)(f)(iv)

General

Please let me know if you have any questions regarding the above information or would like us to answer any further questions.

Kind regards, Jo

Jo Murray ([she/her/they](#))

Housing Supply Response and Partnerships

[x@xxx](#)

Mobile: s 9(2)(a)

www.hud.govt.nz | Level 6, 7 Waterloo Quay, Wellington

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**Key Observations from the Housing Stock Data provided
by Wellington City Council**

Topic	Comment
Housing Stock	<ul style="list-style-type: none"> The housing stock is comprised of 49 operating complexes (containing 1,821 units) and 100 stand-alone homes 3 complexes have been closed in recent years (the Arlington Flats – due to seismic issues and Calabar Road in Miramar) The Harrison St re-development is underway; with re-development also proposed for Nairn Street, Maupuia Road, Tauhinu Road and Lyndhurst Road in Tawa as well 10 complexes (containing approximately 87 units) and 100 standalone units are proposed for divestment – these are all currently tenanted
Location	<ul style="list-style-type: none"> The majority of the stock is located in the southern suburbs of Kilbirnie, Miramar, Newtown, Berhampore, Brooklyn and Mt Cook
Age	<ul style="list-style-type: none"> The majority of the stock was built in the 1960s to 80s Older stock from the 1920s to 1950s has mostly been divested or is proposed for divestment 158 units have been built since 2011 (104 at Te Mara – which are leased to Kāinga Ora)
Healthy Homes Upgrades (note these come into effect on the earlier of a new tenancy after 1 July 2021 or July 2024)	<ul style="list-style-type: none"> The ceiling, floor and wall insulation requirements have been met across the entire portfolio 84-86% of the portfolio is compliant with the moisture ingress and draught stopping requirements 58% of the portfolio is compliant with the ventilation requirements. Primarily extract fans need to be piped and installed in the remaining properties to achieve full compliance The cost estimate for doing the remaining work to achieve full compliance is \$17.9m s 9(2)(g)(i)
Deed of Grant Compliance	<ul style="list-style-type: none"> Phase 1 of the Housing Upgrade Programme is complete; Phase 2 was due to commence in 2021 – and needs to be completed for WCC to meet its obligations under the Deed. s 9(2)(f)(iv)
Amount spent on Phase 1 of the Housing Upgrade Programme	<ul style="list-style-type: none"> \$209m (inc GST) + programme costs WCC has indicated this amounts to \$220m in total – being the Crown contribution under the Deed for both Phases 1 and 2 of the Housing Upgrade Programme

<p>Cost estimate for Phase 2 of the Housing Upgrade Programme</p>	<ul style="list-style-type: none"> • \$285m (inc GST) – being \$266.8m as the capital works programme; and \$17.9m on Healthy Homes compliance • The seismic upgrade proportion is costed at \$69m – although much of this cost has been generated through a desktop exercise. • Notwithstanding the allocation for seismic upgrade works, all Housing Stock in operation meets the current NBS requirements • s 9(2)(f)(iv)
<p>2008-2020 Reactive Maintenance/General Maintenance and Repair Expenditure (across the Housing Stock)</p>	<ul style="list-style-type: none"> • \$29.8m • The reactive maintenance spend is not consistent year on year – it ranges between \$2.5m and \$6.5m; with an average of \$3.65m per year • The age of the property does not seem to directly correlate with the level of reactive maintenance required; indicating that there is a tenant component to the cost.
<p>2008-2020 Lifecycle Asset Maintenance/Renewals Expenditure (across the Housing Stock)</p>	<ul style="list-style-type: none"> • \$8.7m – (note most of the capital upgrade work was incorporated in the Phase 1 expenditure) • As expected, there is a more apparent link in the expenditure here to the age of the relevant property
<p>Lease status</p>	<ul style="list-style-type: none"> • WCC leases 168 units to Kāinga Ora, Oranga Tamariki, and to several CHPs (Emerge Aotearoa, Salvation Army, Kahui Tu Kaha, Kahungunu Whanau Services, and Dwell). 104 at Te Māra are under long term lease to Kāinga Ora.

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Briefing

Response to Wellington City Council's letter and further work on City Housing's financial challenges			
Date:	5 July 2021	Security level:	In Confidence
Priority:	Medium	Report number:	BRF20/21071028

Action sought		
	Action sought	Deadline
Hon Dr Megan Woods Minister of Housing	Sign the attached letter replying to Wellington City Council s 9(2)(f)(iv)	16 July 2021

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

Other agencies consulted
Kāinga Ora – Homes and Communities

Minister's office to complete

<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) <hr/>	Comments
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Date returned to HUD:



Briefing

Response to Wellington City Council's letter and further work on City Housing's financial challenges

For: Hon Dr Megan Woods, Minister of Housing

Date: 5 July 2021

Security level: In Confidence

Priority: Medium

Report number: BRF20/210701028

Purpose

1. This briefing provides a draft response to Wellington City Council's (WCC's) recent letter requesting access to the Income-Related Rent Subsidy (IRRS). s 9(2)(f)(iv)

[Redacted content]

Recommended actions

2. It is recommended that you:

- | | | |
|----|---|-----------------|
| 1. | Note WCC wrote to the Ministers of Housing and Finance on 24 June 2021 seeking access to the IRRS and renegotiation of the Deed of Grant | <i>Noted</i> |
| 2. | Sign the attached to send the letter of reply to Mayor Andy Foster that is attached to this briefing | <i>Yes / No</i> |

s 9(2)(f)(iv)

[Redacted content]



Naomi Stephen-Smith
**Manager, Market and Supply
Responses**

05 / 07 / 2021

Hon Dr Megan Woods
Minister of Housing

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Background

3. On 24 June, WCC wrote to the Ministers of Housing and Finance seeking access to the IRRS for City Housing (attached as Annex B). City Housing is the division within WCC that manages WCC's social housing portfolio. A draft letter of reply is attached as Annex A.
4. WCC also wishes to negotiate changes to the 2008 Deed of Grant between WCC and the Crown. WCC has requested a meeting to discuss the points raised in its letter.

WCC's City Housing challenges are primarily driven by the Council's financial management decisions

5. Under the Deed of Grant, the Crown provided a \$220m Crown grant towards a 20-year upgrade programme. The Crown's funding was spent on Phase One of the Housing Upgrade Programme. WCC agreed to fund Phase Two of the Housing Upgrade Programme at an estimated cost of \$180m. WCC also committed to continue providing social housing until 2037.
6. WCC is however facing challenges meeting its obligations under the Deed of Grant. WCC has stated that City Housing will face annual operating deficits growing from \$7m in 2021/22 to \$49m in 2030/31, and \$446m of capital investment is required over the next decade.

s 9(2)(f)(iv)

7.

8. On 15 June, HUD provided information to the Ministers of Housing and Finance, and the Associate Minister of Housing (Public Housing), on WCC's housing stock and the process for WCC to establish a Community Housing Provider (CHP) [IREQ20/21060972].

s 9(2)(f)(iv)

9. On 1 July, HUD provided advice on potential support for councils to deliver housing [BRF20/21060994 refers].

s 9(2)(f)(iv)

10.

¹ s 9(2)(f)(iv)

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Next steps

- 20. A draft letter of reply is attached as Annex A.
- 21. Mayor Andy Foster has requested an opportunity to meet to discuss the points raised in the letter to the Ministers of Housing and Finance. s 9(2)(f)(iv)

² HUD's legal advice is that providing IRRS funding directly to WCC would require amending the Public and Community Housing Management Act 1992 (PACHMA) and/or its Regulations. Amending PACHMA will likely take at least 12-18 months. Replicating IRRS-like funding outside of the PACHMA would create a risk of legal challenge. Therefore, further HUD advice could explore alternatives for comparable funding support and the associated risks.

s 9(2)(f)(iv)

22.

Annexes

- 23. Annex A: Draft letter of reply to WCC.
- 24. Annex B: Letter from WCC requesting access to the IRRS.

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Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister of Energy and Resources

Minister of Research, Science and Innovation

Associate Minister of Finance



Mayor Andy Foster
Wellington City Council
PO Box 2199
Wellington 6140
mayor@wcc.govt.nz

Dear Mayor Foster

Thank you for your letter dated 24 June 2021 about availability of the Income-Related Rent Subsidy (IRRS) for Wellington City Council's (WCC's) social housing portfolio.

WCC plays an important role as the largest council housing provider in the country, catering to many of Wellington's most vulnerable people. WCC and the Government have shared interests in ensuring the sustainability of WCC's social housing services. This is reflected through the \$220m Crown grant supporting WCC to upgrade the housing stock and continue providing social housing.

Under the 2008 Deed of Grant, WCC committed to continue as a provider of social housing until at least 2037. I am therefore concerned that WCC is now identifying financial sustainability issues for its social housing portfolio and seeking to negotiate changes to the Deed of Grant.

You have stated that WCC continues to seek direct access to IRRS to help address WCC's financial challenges.

I have directed my officials at Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) to undertake analysis of potential options to support councils that face financial challenges in continuing to provide council housing.

The Government is focused on using IRRS funding to increase new build public housing and provide much needed homes for vulnerable New Zealanders. Under the Public Housing Plan 2021-2024, the Government is working to deliver 470-690 public housing places and 160-170 transitional housing places in the Wellington Region. This supply will target Wellington City where there is high housing deprivation. New public housing will be prioritised for people assessed by the Ministry of Social Development as having the highest need for housing support.

Any change to this policy on eligibility for the IRRS would require a review of the Government's legal authority to provide IRRS to an entity other than Kāinga Ora – Homes and Communities or a registered Community Housing Provider. This is because the IRRS is a funding mechanism legislated under the Public and Community Housing Management Act 1992, which sets boundaries on the use of the IRRS. If a change to legislation is required, this process would require at least 12 to 18 months.


Given the risks for council tenants and implications for Wellingtonians that need housing support, the Government is committed to working with WCC to find ways to ensure this housing is retained as affordable rental housing.

I have requested advice from HUD officials on the way forward for WCC's social housing. This will include understanding the drivers behind WCC's financial challenges and options to secure long-term financial sustainability for WCC's social housing.

You have requested a meeting to discuss the matters in your letter. As part of a meeting, I am also interested in exploring opportunities to increase the overall supply of housing in Wellington, as well as timeframes to confirm the Government's response to WCC's request to negotiate changes to the Deed of Grant. My office will be in contact with WCC regarding the timing of a meeting.

Thank you for taking the time to write to me.

Yours sincerely



Hon. Dr Megan Woods
Minister of Housing

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24 June 2021

Hon Grant Robertson
Minister of Finance

Hon Megan Woods
Minister of Housings

Kia ora Ministers

At a recent meeting of Wellington City Council's (WCC) Pūroro Rangaranga - Social, Cultural and Economic Committee, the Council discussed its Housing Action Plan priorities, which include growing affordable and social housing supply across the Wellington region, as well as resolving the long-term sustainability for City Housing.

Through the discussion, the Council confirmed its commitment to social housing provision and a desire to continue to partner with the Crown and regional partners in the pursuit of shared objectives to increase housing supply in Wellington.

However, City Housing is currently financially unsustainable and, in order to continue as a long-term social housing provider, the Council needs to resolve City Housing's financial challenges as a matter of urgency. The Council is seeking to work directly with government to this end. We continue to seek direct access to the IRRS which would have a significant impact on our tenants' wellbeing and City Housing's sustainability. This has been an important priority for the local government sector for several years and I am seeking to directly work with you to enable the Council to have access to this subsidy for our tenants.

Alongside this, the Council has also agreed to begin the process to establish a Community Housing Provider (CHP) entity and a special purpose vehicle to fund City Housing's large capital upgrade programme. A CHP would enable the Council to address the current rental inequity between City Housing tenants and tenants of Kainga Ora and other social housing providers, improve tenants' wellbeing through reduced rents, and enable the Council to adequately fund the capital programme. Under current IRRS eligibility rules, it will take some time to establish the CHP on a sustainable footing, so the Council is seeking to discuss with the Crown immediate access to the IRRS for all eligible tenants at point of establishment (rather than phased access based on tenant turnover). The Council will take decisions on the next steps for CHP establishment in September 2021.

Background and current financial position

Since the 1950s, WCC has provided safe, secure and affordable social housing in Wellington. WCC is the largest council social housing provider in New Zealand and the largest provider in Wellington with 3,200 tenants and 1,927 units. Many of our tenants are Wellington's most vulnerable people.

In 2007, Council signed a Deed of Grant with the Crown to support the sustainability of the City Housing service. The Deed requires the Council to remain as a social housing provider until at least 2037 and details a \$400m upgrade of the City Housing portfolio.

The Crown committed \$220m to upgrade the first half of the portfolio (HUP1) and the Council agreed to fund \$180m to complete the second half of the upgrade programme (HUP2). HUP1 upgraded 900 homes between 2010 and 2018 at a total cost of \$233.5m (with the additional \$13.5m met by WCC). The Council has also carried the cost of an operating deficit since 2011/12. HUP2 is due to start in 2022. Planning is underway, although the substantive work cannot begin until funding is secured.

Social housing has changed significantly since the Deed was signed – significant government policy and legislative changes have increased City Housing costs, social housing demand continues to increase, and non-Council housing providers have received operating subsidies and financial support for their tenants via the IRRS. Rents have also become increasingly unaffordable for tenants, with 75% of City Housing tenants currently paying more than 35% of their income in rent and 92% paying 25% or more.

As a result of these and other insurance and construction market changes, the estimated costs of HUP2 have risen considerably. A QS assessment completed in 2020 as part of HUP2 planning has increased the cost to \$286m (60% higher than the \$180m estimated when the Deed was agreed).

Overall, City Housing now runs an annual operating deficit of \$7m per year (forecast to grow to \$49m within ten years) and has a capital programme (including HUP2, Healthy Homes Requirements, and regular asset renewals) of \$446m over the next ten years. City Housing has current cash reserves of \$50.6m, but without other sources of income, City Housing will be technically insolvent and unable to meet the requirements of the Deed beyond 2022/23.

A way forward

As an organisation, the Council continues to value the working relationship that we have with central government. We have established relationships and have worked collaboratively across the Ministry of Housing and Urban Development, Kāinga Ora, the Ministry of Social Development and Crown Infrastructure Partners.

We are committed to continuing to work in partnership with the Crown to address critical housing supply issues at a regional level and to bringing options to the table that the Council can contribute to this objective. As part of this work, we would like to negotiate changes to the Deed of Grant, to update its terms and ensure it supports City Housing sustainability.

We believe that we are now at a key juncture and want to work with you to find solutions for these complex issues. I would appreciate the opportunity to meet with you directly to discuss the points raised in this letter.

Yours sincerely



Andy Foster
Mayor of Wellington