



# NAPIER PEOPLE AND PLACES COMMITTEE

## Open Minutes Attachments

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Meeting Date: Thursday 3 February 2022

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Time: 9.00am

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Venue: Via Zoom (Audiovisual Link)

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### TABLE OF CONTENTS

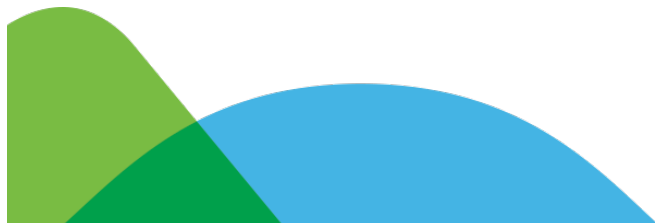
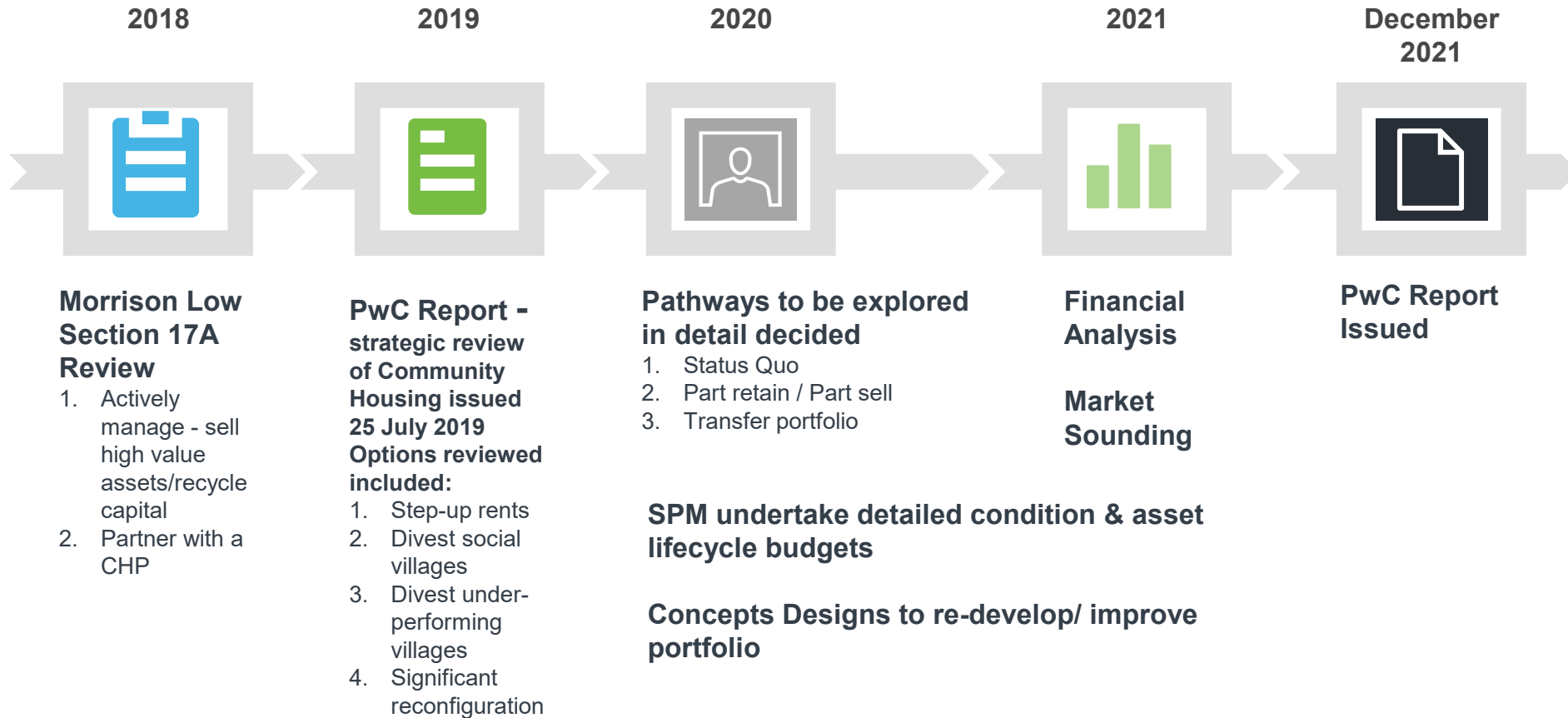
<b>Item 2</b>	<b>Strategic Housing Review</b>	
Attachment A	Strategic Housing Review Napier.pdf .....	2
<b>Item 1</b>	<b>Napier Civil Defence Siren Network Removal</b>	
Attachment A	Siren Removal - Ian Macdonald (Doc Id 1429157).....	11
Attachment B	Hawke's Bay Alert System - Dr Leonard (Doc Id: 1430238).....	21

# Strategic Housing Review

## *3 February 2022*

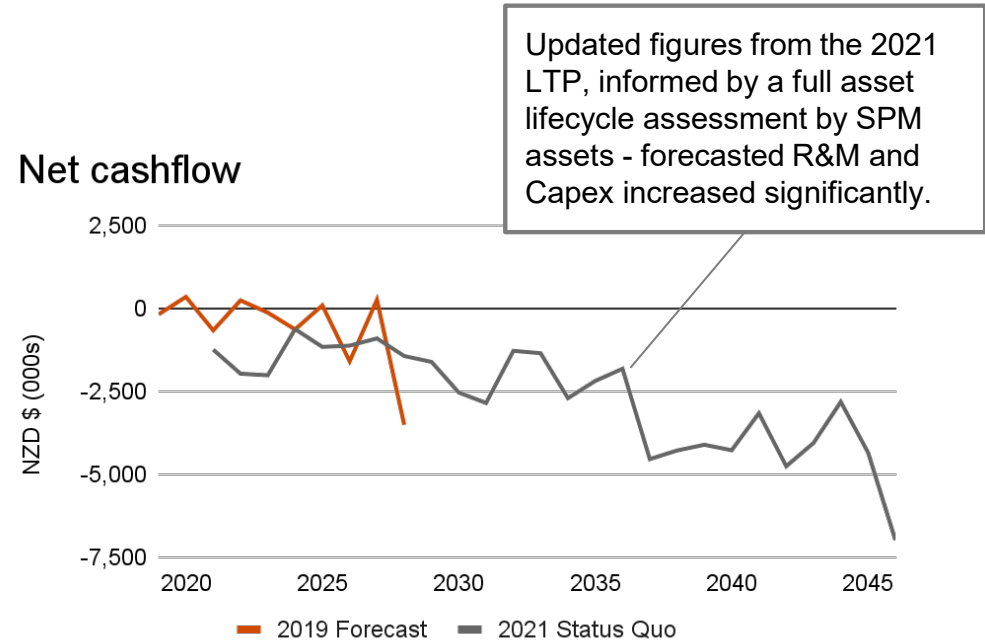
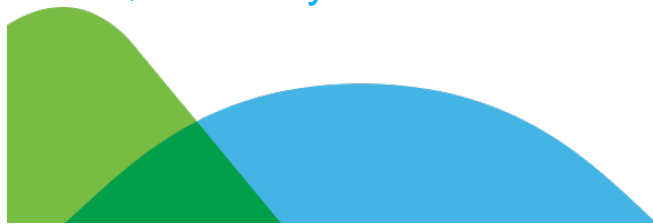


# Review Journey



# Current State

- Forecast cash outflows are on a steady downward trend, as the amount of capital required to maintain the aging portfolio increases and the Council’s current rent setting policy, aimed to maintain ‘affordable’ housing, limits its ability to charge market rents.
- Over the period to 2046 we have estimated the annualised shortfall will be circa \$2.2m (excluding financing) and a predicted nominal accumulated cash shortfall of circa \$10.5m by 2028 increasing to \$70.0m by 2046.



# How other housing providers do it

1. Increasing rents (to market); or
2. Increasing ratepayer contribution; or
3. Accessing Crown Funding Streams (IRRS and Operating supplements)

Crown funding streams (IRRS and Operating supplements) are accessible to Community Housing Providers (CHPs) who have developed sustainable commercial models that can grow social housing stock and renew the portfolio without creating a burden for ratepayers

**IRRS is NOT available to councils**



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*

# The Options

- **Status Quo;**
  - All Social and Retirement villages remain & managed in-house;
  - Rental subsidies and rent setting policy remain unchanged. No additional income streams are added.
- **Transfer to CHP via sale or lease** (subject to covenants that);
  - ensure existing tenancies, under the current terms and conditions, remain in place;
  - the portfolio can only ever (into perpetuity) be used to provide housing to Retirement or Community tenants; and
  - NCC retains the right of first refusal (on the same DCF basis) if the buyer was to sell the portfolio.
- **Part retain/part sell (active management)**
  - 3 Social villages divested & sale proceeds reinvested;
  - All Retirement villages remain & managed in-house;
  - Rental subsidies and rent setting policy remain unchanged. No additional income streams are added;
  - Greenmeadows East Village's vacant land (~circa 9,300m<sup>2</sup>) is intensified with additional Retirement housing; and
  - The existing four houses on Hastings/Munroe site are demolished and redeveloped with new units for market rent to subsidise the Community Housing portfolio.



# Methodology

- Detailed asset condition assessment & life cycle budgets completed;
- Market Valuations undertaken (20/03/20 – Telfer Young);
- Concepts to re-develop/improve portfolio designed & costed (in conjunction with NCC urban planners, Young + Richards architects & Rider Levett Bucknall (quantity surveyors);
  - Greenmeadows East – net increase 38 units / 56 beds (retirement)
  - Hastings Munroe – net increase 7 units / 22 beds (market)

## • Market Sounding

- to understand the market's appetite for the portfolio in its current state with covenants in place.
- shortlisted parties approached primarily with CHP status to enable access to IRRS - local Iwi, charitable trusts, CHPs and Kāinga Ora - parties who share common goals with NCC in regard to community housing.
- Information Memorandum comprising the purpose and key facts about the portfolio created and issued to interested parties (in strict confidence).

## • Financial Analysis

- focused on the 'Net cashflow position' - Net operating income after R&M and after planned CAPEX (excluding depreciation and interest charges).
- Direct and overhead costs derived from the 2021-2031 LTP (except for CAPEX - SPM's outputs were used);
- Revenue – modelled on actual rates (accurate as of April 2021)































































