

# ORDINARY MEETING OF COUNCIL

## Housing Review Hearings Open Minutes

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Meeting Date: Wednesday 18 May 2022

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Time: 10.00am – 5.44pm

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Venue Large Exhibition Hall  
Napier War Memorial Centre  
Marine Parade  
Napier

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*Livestreamed via Council's Facebook site*

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Present **Chair:** Mayor Wise  
**Members:** Deputy Mayor Brosnan, Councillors Boag, Browne, Chrystal, Crown, Mawson, McGrath, Price, Simpson, Tapine [*via Zoom*], and Taylor

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In Attendance Chief Executive (Steph Rotarangi)  
Director City Strategy (Richard Munneke)  
Acting Director Community Services (Darran Gillies)  
Pou Whakarae (Mōrehu Te Tomo)  
Chief Financial Officer (Caroline Thomson)  
Manager Communications and Marketing (Julia Atkinson)  
Manager Community Strategies (Natasha Mackie)  
Tenancy Coordinator (Rachael Kawana)  
Tenancy Coordinator (Lucy Barlow)  
Community Services Contractor (Kirsten Thompson)

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Also in Attendance Dr Virgil Troy, SIL Research  
Nataliya Rik, SIL Research  
Kirstyn McKeefry, PwC

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Administration Governance Advisors (Carolyn Hunt and Anna Eady)

## Karakia

The Council opened the meeting with a karakia

## Apologies

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**COUNCIL** Councillors Mawson / Crown

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**RESOLUTION**

That the apology from Councillor Wright be accepted.

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Carried

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## Conflicts of interest

Nil

## Announcements by the Mayor

Nil

## Announcements by the management

Nil

# AGENDA ITEMS

## 1. COUNCIL HOUSING PROVISION

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<i>Type of Report:</i>	Operational and Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1460520
<i>Reporting Officer/s &amp; Unit:</i>	Natasha Mackie, Manager Community Strategies Adele Henderson, Director Corporate Services Darran Gillies, Acting Director Community Services

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### 1.1. Purpose of Report

This report summarises the feedback provided by the community on the three options presented for consultation regarding the future provision of community housing to inform Council in its decision-making on this matter.

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### At the meeting

#### **Ruth Smithies - Submission 91**

Spoke to her submission highlighting:

- The status quo option is financially unsustainable and socially unfair as Council cannot house everyone that is in need.
- It is not financially viable currently for Council to add to the existing housing stock.
- To transfer the portfolio to Kāinga Ora (KO) or a Community Housing Provider (CHP) will change the character of the villages over time. KO is charged with housing low income people, not just retirees.
- The preferred option is part sell/part retain. The social housing villages could be sold and the pensioner housing be retained and paid for with a 50/50 split between rent and rates.
- Proceeds from a sale can be used to rehouse pensioner tenants from the sold villages. They can also be used to set up a regional CHP, independent of Napier City Council (NCC), which will mean the Government Income Related Rent Subsidy (IRRS), which Council tenants cannot access, will become available. In addition sale proceeds could also be used to increase the housing stock.
- NCC tenants rent is significantly lower than Council housing in other parts of the country. The tenants in other areas are no worse off because they can access an Accommodation Supplement, and NCC should encourage their tenants to access this from the Ministry of Social Development (MSD).

#### **Judith Guy & Syed Khurram Iqbal on behalf of Napier Labour Party LEC – Submission 240**

Spoke to their submission highlighting:

- The priority of past Councils has been to not push this cost onto the rate payer.

- Local and Central Government have an obligation to provide affordable community housing for vulnerable people.
- The status quo option is preferred and Council should look at expanding its housing stock.
- Rent should be income based (30% maximum), not market rate based.
- The previous submission about forming a regional CHP was a good alternative if needed for financial sustainability.

**Mark Cleary – The Napier Pilot City Trust – Submission 178**

Spoke to his submission highlighting:

- He has opted for the status quo option as it gives more time to find a better solution.
- Every renter in Napier is also paying rates via their rent.
- Providing housing should not be seen as a burden, it is a responsibility for us all, and if NCC is adhering to its wellbeing obligation of putting people first it must work to ensure Napier residents are safely housed.
- The \$2.2million shortfall is not a lot in the context of what houses are selling for.
- A good example for NCC to look at is the Auckland Council and Selwyn Trust model which established Haumarū Housing, and whose tenants are able to access the IRRS.
- The value of one day's earnings out of a week's earnings is a fair indication of what rent should be.

**Elizabeth Barrett – Submission 244**

Spoke to her submission and distributed a handout (*Doc ID: 1468291*) highlighting:

- The consultation document did not provide enough information for submitters to make an informed choice.
- Retirement housing in Napier is critical and Council has not provided a good option to address this.
- The community should be able to compare budgets for different Council projects and decide which project is more value for money.
- A Weighted Average Lease Term (WALT) approach could be used and the houses could be refurbished on a rotating basis.
- Tenancy rates remain high with a low turnover, but the turnover is stated at 15% in the consultation document. This figure should be revised as the population is declining.
- Council should investigate transferring to a Regional Trust set up by the Councils with appropriate expertise, and have a phased transfer of assets done on a case by case basis across the villages.
- The submitter recommends the status quo option be chosen in order to work out a new solution and to give the community time to understand all the issues.

**Alan White – Submission 242**

Spoke to his submission highlighting:

- His preference is for Council to select the status quo option.
- Council and Napier residents have a responsibility to support the aging population and to make sure they are housed. They are in a time in their life where life options are limited. It's a principled decision, rather than a financial one.
- If these assets had been managed better there would not be the issues there are now. Also Central Government's position in regards to the IRRS is disappointing.

- Social housing is different to pensioner housing. There should be some thinking about that difference.

**Mark Brown-Thomas – Submission 174**

Spoke to his submission highlighting:

- He is opposed to the sale of any publicly owned assets which rate payers have paid for many times over and in looking at Council's Long Term Plan (LTP) there is plenty of money to cover the shortfall for maintenance.
- Former Mayor Dalton assured the community that Council would not be selling any publicly owned housing. Selling to KO would involve an immediate loss to Napier residents.
- The PricewaterhouseCoopers (PwC) Report did not contain enough verifiable information for a decision, and is unsound.
- If Council decides to sell there is no going back, the asset is gone. Also based on a recent example where Nelson City Council sold housing to KO the Napier ratepayers would miss out on 39.40% of the portfolio's value in a similarly structured sale.
- He is not concerned if his rates have to go up to pay for the housing shortfall.
- If the social housing and the pensioner housing was separated out they could be dealt with more efficiently.

**Greg Redington (Napier Housing Support Group) – Submission 261**

Spoke to his submission highlighting:

- The portfolio is a simple freehold asset and should be breaking even with some extra income to build up a reserve for maintenance.
- There hasn't been a rent rise for fifteen years, which is not good management.
- The requirements for the Healthy Homes legislation need to be met by 2024 and are already budgeted for so that should not be part of the shortfall amount. What NCC is spending its money on is the most important thing to look at.
- Selling some of the social housing could help with the shortfall, but this asset should not be costing the rate payer one cent, and shouldn't have been for many years. Selling should not be an option.
- His preference is the status quo, funded entirely by rent increases as the first option or via a loan if needed to bring the houses up to standard.
- The Napier Housing Support Group has been helping Napier residents in need for some time.

**Gaile Thompson – Submission 272**

Spoke to her submission highlighting:

- There are a lot of people in leasehold properties who want to move to a freehold property but cannot afford it. The way housing costs are going we are going to end up with three generations living in the same house.
- In years past the income from Council rentals went into the general pool of income, so why is that general pool not paying for the maintenance of the houses?
- It is about priorities and these assets should be prioritised over other Council projects.
- She is angry and annoyed that her fate is being decided by others as a Council tenant, and not by herself.

*Meeting adjourned at 11.18am*

Meeting reconvened at 11.30am and moved into Committee

## PUBLIC EXCLUDED ITEMS

**COUNCIL** Councillors Mawson / Taylor

**RESOLUTION**

That the public be excluded from the following parts of the proceedings of this meeting.

Carried

### Agenda Items

1. Supplementary Information

The general subject of each matter to be considered while the public was excluded, the reasons for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to:	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist:

### Agenda Items

1. Supplementary Information	7(2)(g) Maintain legal professional privilege	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official
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*Open meeting reconvened at 1.00pm*

**Paul Bailey – Submission 65 – via Zoom**

Spoke to his submission highlighting:

- His disappointment in Central Government for not supporting the Council to maintain the housing. He feels Council could make more of an effort to get the Government to support local initiatives.
- The Local Government Review could have unforeseen impacts on Council and also Council could lose its 3 waters assets under the 3 Waters Review. In this context should Council be thinking about divesting more assets from the balance sheet?

**Peter Grant (Napier Positive Ageing Strategy Advisory Group - PASAG) – Submission 232**

Spoke to his submission highlighting:

- Along with Council Kaumatua Piri Prentice he Co-Chairs PASAG which was established by NCC to put in place priorities from the Positive Ageing Strategy. Housing is key to PASAG priorities being achieved.
- People over 65 make up 20% of Napier’s population, which is above the national average of 15%. This will increase with time and as it does so will those who require social housing.
- Pensioners have paid towards the existing Council housing across their lives.
- Other areas in New Zealand which do not have Council social housing have not had to pay for this through their rates or rent.
- His preferred option is not one of the options consulted on, that is Council retains the portfolio but moves it to be Community housing rather than social housing. Or set up a non-Council CHP in order to be eligible for the IRRS. Council can lease or gift housing to the CHP over time. A regional model would have efficiencies by scale.
- If any of the portfolio is sold to a CHP they would eventually become eligible for the IRRS payments.
- Councils need to continue to ask the Government to provide IRRS to Council tenants. The aim should be to close the emergency housing.
- Recommend Council does not make a decision today, but request the Govt and all political parties be approached to do a review of social housing in NZ and that their response should be made public.

The Mayor asked if the PASAG group would be willing to present a petition to the Government about the IRRS and if so the Council would endorse it.

**Jonathan Wallace & Ben Lemmon – Soho Group – Submission 239**

Spoke to their submission and distributed a handout (*Doc ID: 1468290*) highlighting:

- SOHO group was established at the request of Government to be a developer of public housing. They work in conjunction with CHPs.
- They do not think the three options presented for consultation were viable and do not think selling the portfolio to KO is good for the community.
- They have presented a redevelopment proposal in their submission for Council’s housing where SOHO would take over the ground lease, and capital investment on top, paying rent to Council, redevelop the sites over time and then engage an

established CHP to manage the new units and tenancies with access to IRRS. SOHO would maintain management of the existing units and tenancies.

- This proposal could be applied to all villages or a select few.
- The intention would be to keep the conditions of the tenants rent the same as it is currently. SOHO would adopt Council's current rent review process.
- SOHO would be looking for a perpetual lease, but would consider a long-term fixed year lease arrangement.
- It would be ideal to keep tenants like for like within a village and not mix social housing tenants with pensioners. The elderly are the best tenants to have, but SOHO would work with the CHP managing the new units to decide which demographic was the best fit. Most of the houses would be one to two bedrooms so not suitable for families.
- There would not be private houses built on the land under this arrangement.
- The existing village halls would need to be assessed on use and structural condition before a decision would be made about keeping them. Housing is more important than meeting areas.
- The density of the developments gets looked at by the CHP involved and by City Councils, so the best development is planned for the location and need.
- The ground lease would be worked out with a formula based on a percentage of return on the ground value.

#### **Andy White – Submission 179**

Spoke to his submission highlighting:

- The existing Council housing should be retained in local ownership for low income beneficiaries. This will show Council's commitment to provide for the local community.
- The existing tenancies should also be retained.
- The use of income from the portfolio should be reinvested into the properties for capital investment and maintenance. There needs to be accountability and transparency around this activity so the same mistakes are not made by NCC.
- If some or all of the portfolio is transferred to a CHP there should be a caveat in the contract that if the CHP was to close down the housing stock would go back to the Council.

#### **Pene Johnstone – Submission 176**

Spoke to her submission and distributed a handout (*Doc ID: 1468288*) highlighting:

- Council could sell the social housing to KO or a similar organisation as they are the specialists in this field and can provide appropriate wrap around services. The money from that sale can be used for maintenance on the other villages.
- NCC should partner with a Charitable Trust, as has been done in Christchurch, to manage and develop the properties for the elderly. If the pensioner villages are sold to KO they will end up being used for emergency housing and will become slums with social issues.
- The pensioner villages do not need to be sold, they are not making a loss but have an operational surplus. The Healthy Homes obligations have been budgeted for, so that is not an additional maintenance cost. If they are sold to KO it will be at a substantial loss.
- If the properties are retained they would eventually be a positively geared asset which would benefit the Napier ratepayers.



- The pensioners currently residing in the social housing villages could be moved to the pensioner villages in a staged approach.

**Dawn Bedingfield (Napier Housing Coalition) – Submission 206**

Spoke to her submission highlighting:

- The Napier Housing Coalition has been helping tenants in Napier for 30 years. It was instrumental in keeping the State Houses in Napier.
- The tenants are under a lot of stress and are worried about speaking out in case they lose their homes.
- The Coalition strongly object to any sale of Council housing, either social or retirement housing. Council is accountable to the vulnerable and elderly and a sale of the portfolio would be under market value and unfair to the rate payer.
- Feedback to the coalition is in favour of keeping the Council housing and putting up the rates to cover the cost. To cover costs with just rent will put a lot of pressure on existing tenants.
- KO would not be suitable landlords, and their tenants would create a lot of social problems. It would be very stressful for the elderly to be housed in the same village as low income tenants. The Government should be providing supervised housing for the homeless.
- A leased arrangement may work, but only if it is done with a CHP who have the right values and desired outcomes.
- If Council retain and manage the villages there could be an advisory committee, or similar, to ensure management and maintenance is prioritised effectively.

*Meeting adjourned 2.26pm*

*Meeting resumed 2.40pm*

The Manager Community Strategies and Chief Financial Officer spoke to the report with a presentation (*Doc ID: 1468289*) noting the key dates of the Local Government reform, those being the draft recommendations being put out to the public for consultation in September 2022 and then the final report being delivered in April 2023. It was also noted that 17% of current tenant submissions chose the option to transfer or sell the full portfolio, a correction to what is stated in the report.

In response to questions from the Council it was clarified:

- For the status quo model officers have modelled a cumulative income approach where the income to cost ratio may vary from year to year while the shortfall is covered and a reserve is built up for maintenance; this will smooth out over time to eventually be even. This model does not allow for demolishing and rebuilding homes.
- PwC's modelling utilized information from Asset Management Consultants (SPM) who are experts in asset management, assessing asset condition and life cycles.
- The cost recovery approach is in relation to income and costs being even and building up reserve to cover maintenance costs.
- The Accommodation Supplement is a Government lead supplement. Council can only estimate how this will impact tenant's rent as it does not hold information on the full criteria pensioners are assessed against when they apply for it.
- If Council retains some or all of its portfolio it would be working towards optimal occupancy. Pensioner tenants could transition into more suitable houses from the ones they are currently in. A plan for this will be developed depending on the decision Council makes. Council is

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already moving pensioners from its social housing villages to pensioner villages as tenants request it.

- Although the Better Off Government funding does have a broad criteria, it appears to be for new projects. Officers would have to have a conversation with the Department of Internal Affairs (DIA) about whether housing maintenance would qualify, if Council decide to submit an application for this funding.
- There are a number of tenants with a disability but they are all in the retirement villages.
- If the rent on the housing was to change Council needs to give notice of this 60 days out from the change. A rent increase can only occur once every 12 months. The Ministry of Social Development (MSD) knows this review is happening and with a tenants permission officers can work with MSD to get the best outcomes it can in regards to the Accommodation Supplement for tenants.
- The current rent is 30% of people's income and 30% of the market rental rate, however that is an old market rate.
- If the portfolio is retained the split between rent and rates to pay for it is able to be modified by Council. A rough estimate for an 85% (rent) / 15% (rates) split would mean rent for one person in a unit would be 67% of market rental, 61% of a person's income before applying the Accommodation Supplement, and 37% of income with the Accommodation Supplement. The 15% rates portion would equal on average a 1.4% rates rise per household, or \$37.80, and for the rates cap in 2023 it would increase the rates cap to 11.1%.
- If it was chosen to lease the portfolio to a third party this may trigger Council's Significance and Engagement Policy. If it is leased Council can still leverage against it.

*Meeting adjourned at 4.42pm*

*Meeting reconvened at 4.55pm*

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#### **Officer Recommendation**

1. That Council makes a decision to progress one of the following options for implementation in relation to Council's housing portfolio:
    - a) Keep all of the existing portfolio (Status Quo) – implement a public / private benefit approach and implement a cost recovery rent setting policy **OR**
    - b) Keep most of the existing portfolio (Part Retain / Part Sell) - implement a public / private benefit approach, implement a cost recovery rent setting policy, and use any sale proceeds to kickstart a reserve to lower rates and rents contribution while also allowing time for other opportunities to be developed (e.g. new developments) **OR**
    - c) Keep none of the existing portfolio (Transfer / Sell) – exploration of the transfer options (e.g. lease, trust, sell) should be completed prior to a final proposal through a Long Term Plan or Long Term Plan amendment.
  2. Subject to Council's decision, a full plan will be developed outlining the next steps, including the specific consultation processes required for the option selected to progress.
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**COUNCIL  
RESOLUTION**

Mayor Wise / Councillor Mawson

**Council Resolution**

1. That Council:
  - a. Retains all of the existing portfolio (Status Quo) – implementing a public / private benefit approach based on an 80% private and 20% public ratio.
  - b. Implement a sustainable cost recovery rent setting policy, and the current and anticipated costs are reviewed as part of the setting of the policy.
  - c. Directs Council officers to investigate further property and tenancy management operating models and bring the options back to Council.
  - d. Instruct Council officers to develop a Housing Strategy.
  - e. Continue to lobby Central Government for access to the income related rent subsidy.
  - f. Continue to fund the deficit from loans until the rates increase has been consulted on and implemented.
  
2. Instruct Council officers to develop a full plan outlining the next steps, including the specific consultation processes required for the option selected to progress.

Carried

**Attachments**

- 1 Elizabeth Barrett Attachment
- 2 SOHO Group Attachment
- 3 Pene Johnstone Attachment
- 4 Implementation Pathways

*The meeting closed with a karakia at 5.44pm*

Approved and adopted as a true and accurate record of the meeting.

Chairperson .....

Date of approval .....