

How should we fund City Housing?



About City Housing

City Housing is Wellington City Council's social housing service. We provide warm, dry homes to more than 3,000 people on low incomes, who live in a mix of 1,900 apartments, units, and houses across Pōneke. Our council housing contributes to our city's diverse and vibrant communities, and we want it to continue.

What's the issue?

City Housing has a growing financial issue that is now critical. The Council has taken steps to fix this over several years, but significant action is needed now.

Rents have become unaffordable for many tenants. Council rents are set at approximately 70% of the market rate for eligible tenants. This is different to low-income tenants living in other social housing in Wellington, who pay an Income Related Rent of no more than 25% of their income, with the rest topped up by the government's Income Related Rent Subsidy (IRRS).

Currently City Housing is funded by the rent people pay only – it does not receive any rates funding or any government subsidies. This current funding model is not sustainable. City Housing cannot cover its operating costs and large investment is needed to upgrade existing homes and build new housing. The operating deficit for the upcoming year is \$10 million and it grows every year after that.

We have been working on solutions and funding options to make council housing more affordable and to ensure it's available to people for the long-term.

Can the government help?

We have been working with central government to find a solution and have discussed a range of options. This includes discussion on access to the IRRS for City Housing tenants as well as a range of other options, including the options in this consultation. Both the Council and government want to resolve these issues and we are working closely together on constructive solutions. The government is supportive of us considering the options in this consultation and understands our need to consult with the community on this.

We are interested in your views on the options in this document on how we could fund City Housing.



The options

We have two key questions. For a description and more information on the pros and cons, have a look at the tables on these two pages.

Question one:

Should the Council fund City Housing by increasing the amount rate payers pay and by borrowing from the bank?
OR

Should the Council set up an independent Community Housing Provider to run the Council's housing?

Our preference is to set up an independent Community Housing Provider.

Question two

If we set up an independent Community Housing Provider to run the Council's housing, which of three different types (listed below) of Community Housing Trust should we set up?

- A Asset-owning Community Housing Trust with broad responsibilities
- B Leasehold Community Housing Trust with broad responsibilities
- C Leasehold Community Housing Trust with narrow responsibilities

Our preference is to set up a Leasehold Community Housing Trust with broad responsibilities.

The pros and cons

Question One: Should the Council fund City Housing by increasing rates and borrowing from the bank? **Or** should it set up a Community Housing Provider (CHP) to run the Council's housing?

Funding option	Description	Pros	Cons
Increase rates and borrowing	- We would continue to run City Housing - Funding gap met by: - increases in rates for rate payers - increase to Council borrowing	No change to the service provided to tenants	- Does not improve rental affordability for current or future tenants - Current and future tenants would not have access to IRRS - Higher cost to rate payers than a CHP option - Does not enable new housing to be funded
Set up a Community Housing Provider (CHP)	- A CHP would be set up to run the social housing service - CHPs can access the IRRS scheme for new eligible tenants - CHP would make changes to the way the waiting list is managed - Main contact for tenants would become the CHP rather than the Council	- Eligible new tenants would have access to IRRS which would cap their rent at 25% of income - Current tenants keep existing tenancy terms with the CHP and their tenancies are secure - New social housing could be funded because the CHP would have access to new funding sources - A long-term solution to fund current and new social housing, while balancing other Council costs	Current tenants would not have access to IRRS, but the Council will continue to look at ways to make rent more affordable for current tenants

Question Two: If the Council sets up an independent Community Housing Provider (CHP), there are three options for how it could be set up - which do you prefer?

Option	Community Housing Provider option	Description	Pros	Cons
A	Asset-owning Community Housing Trust	- Council houses (assets) sold to the Community Housing Trust - Trust would manage: - the tenancies - minor repairs and major maintenance - Council would contribute \$180m to housing upgrades and CHP would borrow the additional costs of upgrades	- Eligible new tenants would have access to IRRS, which would cap their rent at 25% of income - Current tenants keep existing tenancy terms with the CHP and their tenancies are secure - Enables new social housing to be built - Independent, flexible trust structure, that can grow to meet demand	- Current tenants would not have access to IRRS, but the Council will continue to look at ways to make rent more affordable for current tenants - Most difficult to deliver - Biggest financial impact for the Council as houses would be sold to the Trust at a discount (because of upgrade work needed)
B	Leasehold Community Housing Trust with broad responsibilities	- Council houses (assets) continue to belong to the Council - Council houses are leased to the Community Housing Trust long-term - Trust would manage: - the tenancies - minor repairs and major maintenance - Council would manage current housing upgrades and the CHP would pick up responsibility for major maintenance in the future. - Council would keep some oversight of future major maintenance because it remains the asset owner - Council would provide the CHP with some upfront funding to allow it to build new housing supply more quickly - Council would borrow for the full housing upgrade cost (\$286m) but recover the costs above \$180m over time	- Eligible new tenants would have access to IRRS, which would cap their rent at 25% of income - Current tenants keep existing tenancy terms with the CHP and their tenancies are secure - Enables new social housing to be built - Balances the financial cost for the Council with other council costs - More straightforward to set up and manage than option A (above) - Flexible for the Council to make changes over time	- Current tenants would not have access to IRRS, but the Council will continue to look at ways to make rent more affordable for current tenants - Higher financial impact for the Council than option C (outlined below)
C	Leasehold Community Housing Trust with narrow responsibilities	- Council houses (assets) continue to belong to the Council - Council houses are leased to the Community Housing Trust long-term - Trust would manage: - the tenancies - minor repairs - Council would manage major maintenance - Unlike option B, council would not provide any upfront funding to allow the CHP to build new housing supply - Council would borrow for the full housing upgrade cost (\$286m) but recover the costs above \$180m over time	- Eligible new tenants would have access to IRRS, which would cap their rent at 25% of income - Current tenants keep existing tenancy terms with the CHP and their tenancies are secure - least financial impact for the Council	- Current tenants would not have access to IRRS, but the Council will continue to look at ways to make rent more affordable for current tenants - Would not enable delivery of new social housing supply - Splitting responsibility for minor and major maintenance could cause confusion for tenants

For all options, people's current tenancies remain secure.

For all the options being consulted on, current tenants would not be able to receive the IRRS, but the Council will continue to look at ways to make rent more affordable for them.

For the three Community Housing Provider options, current tenants would have the same tenancy terms as they do now. Tenants would still have a dedicated Tenancy Advisor in the CHP structure and we will continue to support tenants throughout the handover period. Tenants would be updated throughout the process and will be able to provide feedback.

For the Community Housing Provider options, the CHP would be a regulated organisation and it would need to meet standards around tenancy management, tenant participation, property maintenance, and good governance. It would also be required to manage tenancies in line with the Residential Tenancies Act, just as the Council does.

Learn more

For more information about these options, please read the full Consultation Document. You can get a copy:

- online at letstalk.wellington.govt.nz/city-housing
- at the Wellington City Council Arapaki Manners Library and Service Centre
- at any Wellington City library
- by calling 04 499 4444 or emailing annualplan@wcc.govt.nz and we will send one to you.

Tell us what you think

We'd like to hear your views on these options and any concerns you have. Please complete a submission form and send it to us by **5pm, Sunday 15 May**. You can do this a few different ways:

- online at letstalk.wellington.govt.nz/city-housing
 - complete the form and submit it online
- email a copy of your completed submission form to: annualplan@wcc.govt.nz
- by freepost – complete the submission form and post it
- drop off your completed form to:
 - any Wellington City library
 - Wellington City Council Arapaki Manners Library and Service Centre, 12 Manners Street, Te Aro
 - your City Housing Tenancy Advisor.

Annual Plan 2022/23 and waste



We are also currently consulting with Wellingtonians about the Council's Annual Plan 2022/23 and the future of the Southern Landfill. To learn more about these, please read the Consultation Document (see above for where you can get a copy).

Make a
submission by
**5pm Sunday
15 May 2022**

