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<p>Corporate Plan Output: Information &amp; Advice to Council</p>	

The purpose of this report is to:

1. Confirm protocols for a public open day at Gloucester Courts.
2. Review and confirm unit rentals at Gloucester Courts.

**INTRODUCTION**

Given some adverse publicity when the Gloucester Courts project was commencing, and the subsequent consultation with neighbours and neighbourhood groups, it would seem appropriate to host an open evening for neighbours and an open day for the public prior to tenanting the complex.

The Housing Working Party consulted with a number of interest groups with regard to the operational aspects of managing Gloucester Courts. This discussion included proposed rentals which all parties generally felt comfortable with. The Housing Working Party subsequently discussed the issue of rentals further and requested the Property Manager to review the matter and report back.

**OPEN EVENING / DAY**

It is proposed to hold an open evening for neighbours, those groups with whom the Council has consulted, elected representatives and the media. The format will include a group overview of the project and how the Council intends to manage the complex, and introduction of key members of the Council Housing Team.

The public open day will be either a Saturday or Sunday to be advertised in the daily newspapers. It is not intended that the whole complex be open – rather representative units (one bed, two bed and four bed). The open day will be hosted by members of the Council’s Housing Team.

**RENTALS**

The “feasibility” analysis undertaken for the Council by Simes Valuation Limited in April 1998 advised “market” rentals for the property as follows:

One bedroom (11 units)	\$115 per week
Two bedroom (five units)	\$150 per week
Four bedroom (four units)	\$250 per week

With rents subsidised at a level of 80% of “market”, the “feasibility” analysis allowed rentals as follows:

One bedroom (11 units)	\$92	per week
Two bedroom (five units)	\$120	per week
Four bedroom (four units)	\$50	per bedroom per week

These “social” rentals produced the following financial outcome:

Total rents assuming 100% occupancy \$125,424 per annum.

Less vacancy @ 5%	\$6,271
Management 9%	\$11,288
Rates	\$11,000
Insurance	\$4,000
R & M 1.5% of building cost	\$28,858
Depreciation 1.5% of building cost	\$28,858
	<u>\$90,257</u>
<b>Net income</b>	<b>\$35,167</b>
Return on investment	1.4%

Whilst there is some flexibility to reduce rents slightly, this should be balanced against a perceived need to provide a higher level of “management” support than the 9% budgeted above, a possibility of a vacancy rate being perhaps 10% (rather than 5%) given it is proposed that 20% of the units will be set aside for referred transitional tenancies. There is also a need to be comparable with other categories of housing owned by the Council e.g elderly persons housing one bedroom at \$78 single, \$90 couple, elderly persons housing studio apartment (bedsit) at \$52, public rental studio apartment at \$72, public rental one bedroom at \$95, public rental two bedroom at \$125.

The matter of the Council providing all whiteware, floor coverings and drapes for Gloucester Courts (not the norm in Council housing) needs also to be taken into account.

As a further check of “market” rents, we have obtained some statistics from the Bond Centre of the Ministry of Housing.

This information includes the average, lower quartile, median and upper quartile rents for rental properties in the Gloucester Courts neighbourhood (refer map attached).

The bonds have been collected over a three month period 1 March-31 May 1999, as follows:

	<b>Average Rent</b> \$	Lower Quartile Rent \$	Median Rent \$	Upper Quartile Rent \$
75 bonds one bedroom	<b>120</b>	100	115	143
132 bonds two bedroom	<b>158</b>	130	150	180
48 bonds three bedroom	<b>219</b>	175	222	255
14 bonds four bedroom	<b>208</b>	200	217	250

If we take the average rent as being “market” it can be seen that our “feasibility” rents of \$92, \$120 and \$200 are considerably below market except in the four bedroom units.

	“Market” \$	Feasibility \$	Feasibility as % of Market %
One bed	120	92	76.67
Two bed	158	120	75.95
Four bed	208	200	96.15 (\$160=76.92%)

As evidenced above, the one and two bed “feasibility” rents are at approximately 76% of current “market”. The four bedroom units would need to be reduced to \$40.00 per room to achieve a similar percentage. This equates to a reduction in revenue of \$8,320 per annum, reducing the net income of the complex to \$26,847.

The “normal” Council practice of a surcharge on garage space seems fair and equitable given that there are 20 garage spaces for the 37 beds.

It would be sensible to assume that not all tenants living in this inner city complex will have motor vehicles. Accordingly we should budget for 25% occupancy on the basis of our city wide garage surcharge of \$10 per week; or \$2,600 per annum. Even at 50% occupancy the income would only be \$5,200 per annum.

Based on the 25% garage occupancy we could conceivably lower rental charges for the one and two bedroom units by the \$2,600 per annum amortised over the 16 units. This equates a rent reduction of \$3 per week per unit.

Accordingly, the “reviewed” rents would drop slightly from the “Feasibility” level as follows:

One bedroom	\$89	per week
Two bedroom	\$117	per week
One bed in four bed unit	\$40	per week *

[\*To ensure the management of these units is simplified it is proposed to include electricity in the rental charge and accordingly the figure of \$40 will be increased to \$55 per week so as to allow for electricity.]

#### FINAL “FEASIBILITY” WITH “REVIEWED” RENTS

Total rents assuming 100% occupancy and 25% garage occupancy	\$117,208	pa
Less vacancy at 10%	\$11,721	pa
Management at 15%	\$17,581	pa
Rates	\$11,000	pa
Insurance	\$4,000	pa
R & M 1.5% of building costs	\$28,858	pa
Depreciation 1.5% of building cost	\$28,585	pa
	\$102,018	pa
<b>Net Income</b>	<b>\$15,190</b>	<b>pa</b>
Return on Investment	.06%	pa

#### Accommodation Supplement

The government accommodation supplement “kicks” in at a rental threshold of between \$37 and \$89 dependant on circumstances. Accordingly, the net rents payable will reduce.

Some scenarios are as follows:

#### Scenario One

50 year old single person on “community wage” benefit of \$147.89 net per week:

Rent – one bedroom unit	\$89.00	per week
Less accommodation supplement (\$37 per week threshold)	\$36.40	per week
Net rent	\$52.60	per week
<b>Rent as % of income</b>	<b>35.57%</b>	

### Scenario Two

65 year old New Zealand Superannuation (single living alone) benefit of \$212.69 per week.

Rent – one bedroom unit	\$89.00	per week
Less accommodation supplement (\$37 per week threshold)	\$36.40	per week
Net rent	<u>\$52.60</u>	per week
<b>Rent as % of income</b>	<b>24.73%</b>	

### Scenario Three

Single mother (not working) with a child at school. On a DPB benefit of \$211.82 net per week.

Rent – two bedroom unit	\$117.00	per week
Less accommodation supplement (\$65 per week threshold)	\$36.40	per week
Net rent	<u>\$80.60</u>	per week
<b>Rent as % of income</b>	<b>38.05%</b>	

### Scenario Four

Couple receiving national superannuation benefit of \$325.58 net per week.

Rent – two bedroom unit	\$117.00	per week
Less accommodation supplement (\$77 per week threshold)	\$28.00	per week
Net rent	<u>\$89.00</u>	per week
<b>Rent as % of income</b>	<b>27.34%</b>	

## Scenario Five

18 year old single person on “community wage” benefit of \$123.23 net per week.

Rent * - one bedroom in four bed unit	\$40.00	per week
Less accommodation supplement (\$37 per week threshold)	\$2.10	per week
Net rent	<hr/>	<hr/>
	\$37.90	per week
<b>Rent as % of income</b>	<b>30.76%</b>	

\*shown as net rent but will be charged at \$55 per week to include electricity.

It can be seen from the various rental scenarios shown that net rent as a percentage of income ranges from 24.73% to 38.05% allowing for rents of \$40, \$89 and \$117 per week for a private room in a four bed flat, one bed flat and two bed flat respectively.

It should also be noted some tenants may also be entitled to further supplementary benefits including the following:

Housekeepers allowance	\$123.23	per week net rate
Older people receiving RCS	\$27.08	per week net rate
People with psychiatric or intellectual disabilities	\$41.59	per week net rate
People with physical or sensory disabilities	\$70.47	per week net rate

By comparison, the Christchurch Polytech Otautahi Accommodation Complex on the corner of St Asaph / Madras Street and which has 12 x 6 bedroom shared flats, provides the following:

- Six bedroom flat with private single bedrooms.
- Share kitchen / dining / bathroom / laundry.
- Power available for purchase through power manager – shared by six flatmates / tenants.
- Shared refrigerator / food cupboards.
- No garaging (outside carparking).
- Coin washing machine / drier in each flat.
- Phone jack to each bedroom.
- Bond and tenancy agreement.
- Rent \$95 per week per person.

## SUMMARY AND CONCLUSION

Given the positive comparison with “market” rents for the area, the net rents as a percentage of income, the fact that we need some leeway for trialing various “social accommodation” arrangements, the comparison with other Council accommodation and garage charges and the fact that the accommodation is likely to be a mix of what was formerly elderly persons and public rental housing, it seems appropriate to set establishment rents at a level that achieves modest sustainability whilst at the same time meeting the Council’s housing vision: *“To contribute to the community’s social well being by ensuring safe, accessible and affordable housing is available to people on low incomes including elderly persons, and people with disabilities.”*

- Recommendation:**
1. That the Housing Working Party host an “open evening” at Gloucester Courts as outlined in the report.
  2. That the information on the public open day be received / advertised.
  3. That rent levels for Gloucester Courts be set as follows:

One bedroom unit	\$89.00	per week
Two bedroom unit	\$117.00	per week
One bedroom in a four bedroom unit	\$55.00	per week (including electricity)
Garages	\$10.00	per week