# 1. HORNBY HOUSING - RENTS

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Corporate Plan Output:	

The Christchurch City Council Housing Working Party considered this urgent report, which recommends rents for the new Elderly Persons' Housing (EPH) complex at Hornby. Rents needed to be set so that the Hornby complex could be occupied as soon as possible to reduce any likelihood of vandalism to the vacant complex.

A copy of the report has been circulated to all members of the Community Services Committee.

#### INTRODUCTION

Before the Council can let the new 22-unit EPH complex at Hornby an appropriate rental framework needs to be established. The rentals will reflect the unit costs, which range from a \$130,000 for a one-bedroom unit to \$149,900 for a two-bedroom unit (inclusive of GST and land).

The Christchurch City Council Housing Working Party and Community Services Committee have recently reviewed Council housing rentals, for the first time in three years. Both the working party and committee have recommended to the Council that all rents remain at their present levels for the next 12 months.

Appendix 1 shows these current rents for EPH complexes, by category, across the city. The Council's housing rents vary from about 60% of market (lowest) to low end of the public rental "market". The average across the Council's Housing portfolio is about 80% of "market".

### BACKGROUND

The proposed Hornby Complex rents have also been considered in light of this recent review. A rental feasibility has been undertaken based on the Tenancy Bond Services "median" rent for the Hornby area, 1 October 1999 to 31 March 2000 (Appendix 2). This feasibility is set at 80% of that "median", or \$88pw (one-bedroom) and \$120pw (two-bedroom).

Simes Ltd have also now provided an assessment of the "market" rentals that would be appropriate for this complex (Appendix 3).

Simes (Market)		x 80%	Tenancy Bond Median	80% Tenancy Bond Median	New Cecil Place	Maurice Carter Courts 1 Bedroom
1 bed	\$100	\$80	\$110	\$88	\$89	\$78 single
2 bed (std)	\$120	\$96	\$150	\$120	\$117	\$90 double
2 bed (large/corner)	\$125 \$130	- \$102				

In view of the Simes "market" rent, the following comparisons have been made:

The possible sales values of units have been reconciled against the total project cost (\$2,930,000), rather than the pre-tender estimate (\$3,172,158). This lower cost impacts favourably in the feasibility calculations.

In terms of rental categories, the Hornby Courts has a higher service level than either Maurice Carter Courts (Category 6) or Proctor Street/Reg Adams Courts (Category 7). As such, a new category has been determined. This new category takes into account the sprinkler systems, lifts, double glazing, architectural design and locational attributes of the complex.

At 80%, 85% and 90% of Simes Market, the rents would equate to:

	80%	85%	90%
I bed (per week)	\$80	\$85	\$90
2 bed (std), (per week)	\$96	\$102	\$108
Total Annual Rent (all	\$102,336	\$108,732	\$115,128
occupants)			



# Annual Expenses

	Percentage of Simes Rent		
	80%	85%	90%
Vacancies @ 2% of income	\$2,046	\$2,174	\$2,302
Management @ 8% of income	\$8,184	\$8,696	\$9,208
Rates	\$13,000	\$13,000	\$13,000
Insurance	\$4,500	\$4,500	\$4,500
R & M 1.5% of building cost	\$39,450	\$39,450	\$39,450
Depreciation of building cost	\$39,450	\$39,450	\$39,450
	\$106,630	\$107,270	\$107,910

#### Annual return to Council

-\$4,394 +\$1,462

The Council's policy states:

"That the Council's housing activity continues to be financially self supporting (allowing for depreciation, loan servicing, administration and maintenance)."

+\$7,218

In conclusion, to achieve the Council's policy without subsidising Hornby through rents of other (older) complexes, a rental regime of 85% of Simes' "Market" or above (eg 80% of Tenancy Bonds "Median") needs to be applied.

The figures in the feasibility study use the standard Simes two-bedroom rent, with a premium charged on the larger two-bedroom corner units. Using the Maurice Carter Courts rents as a benchmark for one-bedroom EPH (\$78 single and \$90 double), and given the higher level of service/fit-out at Hornby, it seems reasonable to set the Hornby EPH rents as shown in the recommendation.

#### AFFORDABILITY

The affordability of the units for superannuitants, based on the recommended rents, has also been calculated and shown as a percentage of net income (Appendix 4). These figures show that the proposed Hornby Housing rents would fall in the range of 26% and 32% of net income.

# **Recommendation:** That the rentals for the new Elderly Persons' Housing complex at Hornby be set at:

1 bed	\$85	single occupancy
	\$97	double occupancy
2 bed (std)	\$102	single occupancy
	\$114	double occupancy
2 bed (large)	\$109	single occupancy
	\$121	double occupancy