

6. OPAWA COURTS – IMPACT OF STAGE II ROAD WIDENING

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The purpose of this report is to outline the impact of the stage two widening of Opawa Road on the Opawa Courts Housing complex, and to obtain approval of the alternative housing options recommended.

EXECUTIVE SUMMARY

Ten relocatable City Housing units exist on a site at 203 Opawa Road. This complex referred to as Opawa Courts was first affected by stage one of the road widening project approximately three years ago. At that time Council resolved to relocate units 1 and 2 to an adjoining lot held by City Streets.

This second stage of road widening which is planned to occur in the 2004/05 financial year will impact on a minimum of two more units being units 10 and 3. Units 10 and 3 are co-joined to units 4 and 9 and as such these will likely require relocation also.

The land on which the units sit is not an asset of City Housing. The land was originally purchased by the Council under the provisions of the Public Works Act 1981 following designation for road widening for the Opawa Expressway. City Housing leases the land from City Streets at a peppercorn rental. The land is zoned B4 and over time will be surrounded by industrial/business activity on land also zoned B4.

Three years ago the cost of relocating units 1 and 2 to the adjoining site together with car parking and landscaping works amounted to \$87,500 plus motel costs for two tenants during the relocation period.

The Opawa Road widening is a City Streets initiative subsidised by Transit New Zealand. City Streets advise that project works are programmed to commence on 1 July 2004.

The recommended option is to relocate all ten units to vacant land at Weaver Place, Sockburn and to develop new units on vacant land at Gowerton Place in Richmond. The rationale for this recommendation is contained within the body of this report.

As recommendation 1 contained in this report would result in the displacement of Council tenants from their homes and community links, it is appropriate that every effort be made to accommodate their reasonable demands for re-housing.

RELEVANT CURRENT POLICY

Asset management policy requires the Council to ensure that the housing fund is financially self-supporting (allowing for all costs including depreciation, loan servicing, administration and maintenance).

Asset management policy also requires the retention of all Council rental housing.

These two policies are conflicting as the financial sustainability of City Housing will be contingent upon rationalising and replacing poorly performing and ageing housing units.

ISSUES FOR CONSIDERATION

Access Issues

Ideally City Streets wish to minimise access to sites along Opawa Road and have acquired over time a number of neighbouring lots with a view to amalgamating them and hence reducing the need for multiple access driveways. This particular site is located in what will be a busy thoroughfare with no other access from any other streets other than Opawa Road.

Effect on Tenants

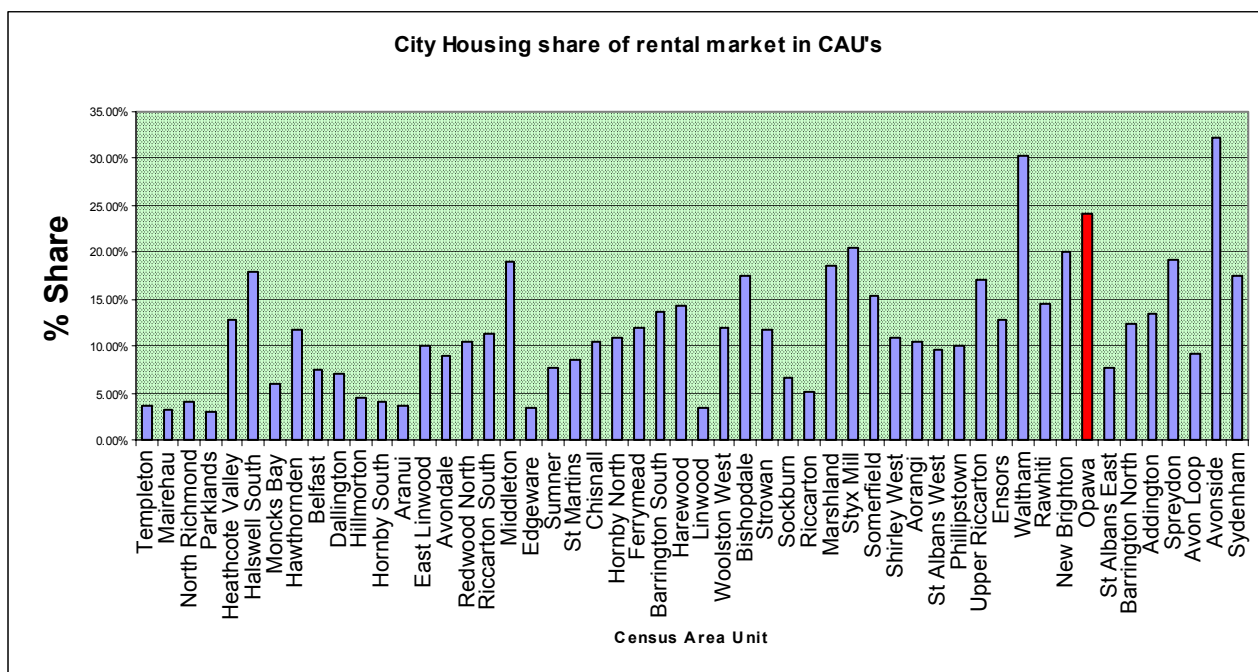
The negative impact on tenants relocating now needs to be balanced with the negative long-term effects on future tenants of increased use of Opawa Road by vehicles, accessibility issues and growth in surrounding industrial activity.

Should the recommendation to relocate all Opawa Courts units be adopted, the Housing Team Leader will formally advise tenants in writing providing them with an option to relocate to the new site recommended. Where possible, existing tenants will be relocated to other complexes in the Opawa area should they not wish to relocate to the new site. However, this option depends on units becoming available. Currently these complexes are fully occupied. Vacated units in Opawa Courts shall not be re-tenanted prior to their relocation.

Two meetings have been held with tenants in which the road widening project was explained in detail and tenants appeared to accept that staying at the complex long term would not be favourable given the likely future changes to the surrounding area. They expressed a desire to relocate as a group and preferably in the same area but would consider other areas. Other areas mentioned were St Martins, Dallington, Spreydon and Beckenham.

Location

The following graph shows City Housing's share of the rental housing market for Census Area Units across the city. The market share of the Opawa rental market is 24.11%, which is well above City Housing's market share of total rental property city-wide of approximately 7%. Compared to other areas of the City Opawa is over represented by City Housing. Fifty-three out of 105 Census Area Units across the city have no representation at all.



A review of the underlying demographics indicates a mismatch and overrepresentation in this neighbourhood, whereas other areas of the city are under-represented by City Housing.

Replacement of Units

In 2002 a new purchase of 18 units occurred in St Albans/Merivale. At the time it was recognised as an opportunistic purchase and given funding constraints the purchase was made on the basis that the Property Planners review the withdrawal of the purchase price from the housing fund, with a view to downselling as a quid pro quo.

In the case of Opawa Courts, there is little value to be realised from the complex as City Housing does not own the land. The only realisable value is in the sale of units as relocatables. The cost to replace these units far exceeds this realisable value and there is a reasonable remaining life left in the assets.

Condition of Units

The units have recently been assessed by City Care as part of their conditional assessment project. Overall their condition can be described as good. There are some interior areas that could do with some redecoration work but these are not urgent.

Highest and Best Use

Given the B4 zoning the highest and best use of the site is industrial land not residential. From a wider Council perspective the residual land following the road widening is more valuable being sold as industrial land. The transfer of the land back to City Streets would allow them to amalgamate lots along Opawa Road to reduce the number of access points (driveways).

OPTIONS

1. Relocate Units 3, 4, 9 and 10, to residual site on Opawa Road

Total estimated cost \$39,100 plus possible land purchase from City Streets at \$200,000-400,000

The cost of \$39,100 is made up as follows: \$18,000 GST inclusive plus reconnection to services, landscaping, and car parking (approx. cost \$30,000). Motel costs are estimated at \$9,100.

Advantages	Disadvantages
<ul style="list-style-type: none">• Least disruption to tenants.• No need to find alternative site.	<ul style="list-style-type: none">• Doesn't address long term issues of increased industrial activity, busier road and accessibility to site.• City Streets require compensation to purchase residential site at industrial land value.• Would leave very constrained site.

2. Request tenants to vacate and sell all units as relocatables

Revenue \$90,000-\$100,000 incl. GST

Advantages	Disadvantages
<ul style="list-style-type: none">• Revenue rather than cost.• Marginally reduces overrepresentation of housing in Opawa.• Land freed up for City Streets.	<ul style="list-style-type: none">• Tenants displaced.• High replacement cost of units• Loss on book value

3. Relocate houses to alternative Housing land in another area of the city

Total estimated cost \$196,100.

The cost of \$196,100 is made up as follows: Cost \$67,500 GST inclusive but plus reconnection to services, landscaping and car parking (approx. cost \$160,000). Motel costs are estimated at \$36,100 but may not all be required. Additional costs may be required should existing sewer and power supply capacity be insufficient.

Advantages	Disadvantages
<ul style="list-style-type: none">• Tenants have option to relocate.• Total housing stock number doesn't decline• Can rebalance city-wide allocation of housing.	<ul style="list-style-type: none">• Finding appropriate alternative site.• Some tenants displaced if they don't take up option to relocate.

4. Sell units 3, 4, 9 and 10, and retain remaining units on residual site on Opawa Road

Revenue: \$36,000-\$40,000 GST inclusive, less the cost of the possible land purchase from City Streets at \$200,000-400,000.

Advantages	Disadvantages
<ul style="list-style-type: none">• Revenue rather than cost (land purchase aside).• Remaining tenants don't have to relocate.	<ul style="list-style-type: none">• Four tenants displaced.• High replacement cost of units.• Not highest and best use of land.• Long term issue not addressed.• Still need to pay for land.

5. Relocate to another site and build new units elsewhere

Total estimated cost \$2.996 million.

This figure is made up as follows: relocation of Opawa units to another site \$196,000 as in option 3, new development of 25+ units at \$2.8 million (shared 50/50 by the Council and the Government).

Advantages	Disadvantages
<ul style="list-style-type: none"> • Retain good units. • Increases size of portfolio. • Can rebalance city-wide allocation of housing. • Tenants have option to move to new units when built. • May reduce costs if obtain Innovation fund monies from the Government. 	<ul style="list-style-type: none"> • Cost (possible 50/50 split with HNZA). • Finding appropriate sites.

There are two ideal blocks of vacant land held by City Housing for future development. One is Weaver Place in Sockburn, which would comfortably accommodate all ten relocatable units. Connection to existing services will be relatively convenient given the adjoining Weaver Courts complex. Sockburn is an area of identified underlying demand; it is well located in relation to public transport, community facilities and shopping amenities. Gowerton Place in Richmond is also well located from a demand and surrounding amenity perspective. It is a larger block of land than Weaver and would suit a new larger scale development of 25 plus units. Future demand analysis indicated a need for additional social housing and there is an opportunity to obtain a 50% suspensory loan from Housing New Zealand for capital costs.

6. Relocate to another site and buy additional units elsewhere

Total estimated cost \$196,100 for relocation. Purchase cost is unknown.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Retain good units. • Increases size of portfolio. • Can rebalance city-wide allocation of housing. • Tenants provided with more location options. • Purchasing existing housing quicker than building. • May reduce costs if obtain Innovation fund monies. 	<ul style="list-style-type: none"> • Finding appropriate housing stock (quality and size).

CONCLUSION

As City Housing does not own the land the only realisable value is in the sale of the improvements. The value of a relocatable unit of the type at Opawa Courts is \$18,000 incl GST. This compares poorly to the replacement cost (of approximately \$100,000) for a one bedroom unit. The units were built in 1979 and they have a considerable remaining economic life. Therefore it would not be economical to sell the improvements.

The second issue relates to location. The market share analysis indicates that Opawa is over-represented by Council Housing and that other areas are under-represented. Relocating the units will displace tenants from the site but not necessarily the units should they take up an option to relocate with the units to an alternative site. The issue of remaining on the site needs to be balanced with the increased vehicle traffic and associated noise following the widening of Opawa Road, accessibility issues, gradual increase of industrial activity surrounding the site, the wider objectives of the City Streets Unit and the value of the residual site to the Council. Having discussed these issues a decision to keep units on this site would be a short term one with possible cost implications for the City Housing Fund in the form of a purchase of the land from City Streets at industrial land value rates.

Two areas of the city identified as being under-represented by Council Housing are Richmond and Sockburn. City Housing owns a site adjoining Gowerton Place (Richmond) comprising 0.4734 ha that could be developed into a 25 unit complex. Another area of the city that is marginally under-represented is Sockburn. There is an existing vacant area of land adjoining Weaver Courts in Sockburn that could accommodate all the units at Opawa Courts. Due to the nature of this site it is likely to be cheaper to reconnect to services than Gowerton Place.

The cost of developing Gowerton Place of an estimated \$2.8 million may be met by seeking a half share of the cost through Housing New Zealand's 'Housing Innovation Fund'. At \$1.4 million this level of development expenditure has minimal effect on the cost of a consumption forecasts. Demand analysis indicates that Richmond is a target area to provide more housing. An additional 25 or more units will meet some of the emerging demand that is becoming evident with future demand forecasts.

- Recommendation:**
1. That approval be granted for the relocation of all the Opawa Courts units from 203 Opawa Road to the vacant land adjoining Weaver Place, Sockburn, and that the existing tenants at Weaver Place be consulted on the relocation of these units.
 2. That the Property Manager initiate a development feasibility study, and submit an application to the HNZN Innovation Fund for funding sufficient to meet half the costs of developing Gowerton Place.
 3. That the capital costs of relocating the units to Weaver Place and developing Gowerton Place be deducted from the Housing Development Fund as fixed new assets.
 4. That current tenants at the Opawa Courts complex be offered the opportunity to occupy the Gowerton Place development should it proceed, and that other options for rehousing the current Opawa Courts tenants in the Opawa, St Martins, Dallington, Spreydon and Beckenham suburbs be actively explored.