

### 3. HORNBY HOUSING PROJECT – OPTIONS REPORT

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The purpose of this report is to bring a conclusion to the Registration of Interest process which was undertaken for the Council land at Hornby and to resolve whether the Council retains the land in order to facilitate future housing development including social housing. This report has been considered by the Housing Subcommittee.

#### CONTEXT

Through the 1989 amalgamation process, an area of land at Hornby, which has frontage to Main South Road, Goulding Avenue and Shands Road, became available. This area of land comprises approximately 1.8930 hectares of which 4000m<sup>2</sup> has already been developed and retained by the Council as some 23 elderly persons units.

In the early 1990s, Common Ground (an external consultant) was contracted to develop a concept for the site development. The units constructed were seen as the first stage of this development, with the remaining stages of development to be undertaken at a later date.

In July 2003 a Registration of Interest document was advertised in the marketplace seeking interest from developers keen to develop the remainder of the site either in accordance with the Common Ground concept or through some other option for the site. At the time it was intended that his project could be partially funded through the central government housing development fund. There were 12 Registrations of Interest, received for the site. A shortlist was compiled and these have been placed to one side awaiting the results of a planning and research project into housing demands.

While the Council was working through the Registration of Interest process, one of the Council's Strategic Property Analysts was undertaking a research project "Establishing Future Demand and Geographical Allocation of City Housing Units – A Blueprint for Future Development". This research provides an analysis of demographic, social and economic factors to establish the geographical demand for Council owned social housing. This demand is compared with the current city housing locations in order to determine the areas of unmet need.

In basic terms this research showed that currently in Hornby we have 52 rental units available and all fully occupied whilst the demand is for 45 rental units. Given the findings of this research the Council needs to consider the options available for the site and whether it should be involved in the future development of the balance of the site.

#### EXECUTIVE SUMMARY

In July 2003 the Council undertook a Registration of Interest process for the development of social housing on a parcel of land at Hornby. Whilst this process was underway a research project was undertaken on the future demand for Council owned social housing over the city, compared with the current housing allocations in various areas.

Through the study it was shown that there was no further demand for Council owned social housing in the Hornby area.

A decision is now being sought on the Council's future use of the property at Hornby including continuing with the development of housing on the site.

#### A DESCRIPTION OF THE OPTIONS

In determining the future for the property the Council needs to consider a number of options.

##### Option 1 - Do nothing

This Council owned site was transferred from Papanui County Council through the amalgamation process. A concept for its development was undertaken during the 1990s with stage 1 of this development (22 units) completed in 2002.

Through the research undertaken it shows City Housing has demand for 45 units in the area, while currently owning 52 units. From the information available there is not the demand to construct and own further units in the area at the present time. This land could be held and developed at a later date when/if more units are demanded in the area.

<b>Advantages</b>	<b>Disadvantages</b>
Allows the Council to retain the land should there be any future demand.	The land is currently not providing any return or outcome to the Council.

## **Option 2 - Continue through the Registration of Interest Process**

In July 2003 a Registration of Interest document was published. More than 70 copies of the document were issued and from this 12 responses were received. These were evaluated through a matrix process and a shortlist was formed. Since this time this shortlist has been placed to one side while we have considered the implications of the demand study.

The Council intended to follow the Registration of Interest process with a detailed Request for Proposal, which would provide a conclusion to the process and commit the Council with a course of development.

Given the Registration of Interest was seeking a partnership for the development of residential housing on the site, it would be envisaged that the Council is expected to own some of the developed units. Again it should be highlighted that there is no demand indicated for these units from City Housing, although anecdotally, the main issue for youth in the city is the lack of affordable housing.

Short listed applicants include:

1. Housing New Zealand – a Crown owned entity, which provides housing to low income New Zealanders. Housing New Zealand has proposed to explore a joint venture opportunity with the Council undertaken by Property Developments Limited, a subsidiary of Housing New Zealand.
2. Horncastle Homes – a residential building company within the city, which has undertaken a number of projects of this scale. Its proposal is to undertake a partnership with the Council for the site's development.
3. Sustainable Cities Trust – the trust would like to work with the Council to undertake a joint venture development of a sustainable design, construction and operation helping to meet a range of housing needs.
4. Redwood Group – this is an Auckland based company currently involved in a joint venture project with Housing New Zealand. Redwood Group would like to develop a joint venture project between themselves, Housing New Zealand and the Council to develop the land.

At this stage in the project no detail is available on the arrangements of any partnership. Working through the Requests for Proposal process would enable us to clearly identify what may be expected from the Council and what would be achieved from the partnership.

<b>Advantages</b>	<b>Disadvantages</b>
<p>The Request for Proposal process would clearly identify the cost/benefit to the Council of undertaking the development.</p> <p>The Request for Proposal process will provide some assured outcomes to the Council in terms of the site development, giving criteria and urban design and social outcomes.</p>	<p>There is a cost to developers of producing Request for Proposal submissions so the Council needs to be reasonably certain it will continue with this process.</p> <p>At this stage all registrants have indicated that they want to undertake a joint venture development so there will be costs to the Council.</p> <p>Some responses may require us to research the offer back requirements prior to us being able to commit to a partnership.</p>

### Option 3 - Put the property through the internal decision making process for determining the future use

Currently the Council has held the property with the view that it will be used for future housing development. If this is not the intention of the Council then the Facilities Asset Unit would be required to put the property through the internal decision making process. This process assesses:

1. Any other Council uses for the site.
2. Whether the property is surplus to Council requirements.
3. Section 40 – offer back issues for the site.

Once this has been undertaken the Council will have a clear understanding of whether it could sell the site. However there is a risk that another unit of the Council may have demand for the property and that it may not be sold and a realisation of funds would not be achieved for the housing development fund.

Advantages	Disadvantages
If sold then the Housing Development Fund would achieve funds to apply to an area where demand exists.	The property may be required by another unit of the Council, which would not result in a return to the Housing Development Fund.  If the property is sold then we may not get to influence the type of development, which occurs on the site.

#### ISSUES FOR CONSIDERATION

This property has been in Council ownership for some time with a development of Stage 1 of the site having been undertaken which has provided 22 elderly persons units. However, all these units are currently occupied. The City Housing Manager comments, "*Hornby Courts were opened in 2002, and although the complex is fully occupied at present the design of this complex is not particularly appropriate to our needs and seems to be more of an architectural tribute than appropriate to the needs of the elderly tenants for whom it was built to house.*"

*We currently are not experiencing a significant demand for Council social housing in the Hornby area either from the elderly or other sectors of qualifying society. In my view there are other areas of the city where Council social housing is needed more urgently than Hornby.*

*In general these comments specifically relate to Council social housing and do not reflect that possibly private developers or other social housing agencies may be interested in developing the land in question."*

Callum Logan – Strategic Property Analyst who undertook the research project on demand for City Housing - highlights in his report that the demand for units is not in Hornby and units would be better located in St Albans, Merivale, Shirley, Riccarton, City Centre, Linwood or Aranui. Over the next four years it is expected that at our current level we will have a deficit of 61 units over the city which need to be supplied by City Housing or some other 3<sup>rd</sup> sector organisation who provide social housing (housing with below market rents).

The Council therefore is in a position whereby it needs to be looking at development in these areas. This property, if it is decided should be sold, would be required to go through the Council's surplus property decision-making flowchart. This may result in another unit of the Council requiring the land rather than it being declared surplus to the Council's operational requirements.

If the property is indeed sold then the Council may not be able to control the type of development that occurs on the site, and would have to rely on the City Plan rules for a complying development which may or may not result in a good urban planning initiative. Once a decision has been made to sell, it may be prudent that the Council place some restrictive covenants on the site in order to achieve some desired outcomes for the future potential of the site. However this may impact on the value of the land sold.

The nature of some of the responses through a Request for Proposal process could give rise to some Public Works Act Section 40 (offer back) issues that might preclude us from entering into a partnership arrangement. These issues will need to be considered when evaluating the responses and reported to the Council along with the tender results and future options from that point.

## **CONCLUSION**

This report has been developed to consider the options for the site in light of the research, which highlights the lack of demand for Council owned social housing within the area.

The Council is left with the options of:

1. Doing nothing and retaining the site.
2. Continuing through the Registration of Interest process.
3. Putting the property through the internal decision making process for determining the future use.

It is evident that Option 1 is clearly not appropriate as it is an inactive approach to the future of the site and does not result in any outcome.

The Council's real decision is either to pursue Option 2 or 3. Both these options will result in the site being developed in some way. At this time little is known of the requirements of the Council for development of the site at Hornby resulting from the Registration of Interest process. We do not know at all what the Council would be expected to contribute except that all the development partners that have expressed interest are wanting to carry out a joint venture in some form. Working through the Request for Proposal process would more clearly determine the required level of Council commitment.

If the Request for Proposal process is undertaken and the level of commitment to funding is determined then the Council will be able to more clearly compare the cost/benefit analysis of developing units at Hornby as opposed to selling the site and utilising the funding in another area of the city where there is more demand for units.

As previously mentioned, currently in Hornby the Council has 52 units primarily for older persons available when the demand study showed we have demand for only 45. Already we are far exceeding the demand, while there are other areas in the city where clearly there is a strong desire for more units to be available.

- Recommendation:**
1. That Council officers develop a Request for Proposal document for the land at Hornby, which is to be sent to the short listed registrants from the Registration of Interest process.
  2. That the Request for Proposal document indicate that the Council is unlikely to contribute any further funds from the Housing Development Fund for this project.
  3. That once these Requests for Proposals are received then a cost/benefit analysis be undertaken on either the Council undertaking a joint venture development of the land or selling the land for development by an independent party through the tender process or through the Public Works Act, Section 40 offer back provisions.
  4. That the analysis of the outcomes above be reported back to the Housing Subcommittee with a view to determining whether the Council will proceed with its involvement with the development of the land at Hornby.