

### 3. CITY HOUSING RENT REVIEW 2010

<b>General Manager responsible:</b>	General Manager, Community Services, DDI 941-8607
<b>Officer responsible:</b>	Acting Community Support Manager
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#### PURPOSE OF REPORT

1. The purpose of this report is to seek a Council decision on a proposed reduction in the planned 2010 increase in City Housing rentals.

#### EXECUTIVE SUMMARY

2. At its meeting on Thursday 23 April 2009, the Council considered the Report of the Hearings Panel appointed to hear submissions on the future funding of social housing. An outcome of this consideration was that the Council resolved:
  - (a) If there are no alternative sources of funding the future replacement of the Council's housing units available and in place before 31 March 2010, increase rents for all existing housing tenants (except Whakahoa Village) by:
    - (i) 5.7 per cent from the beginning of the first rental period in July 2010 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2010.
    - (ii) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2011 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2011.
    - (iii) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2012 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2012.
    - (iv) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2013 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2013.
    - (v) 2.8 per cent plus CGPI from the beginning of the first rental period in July 2014 and for all new tenancies (except Whakahoa Village tenancies) beginning on or after 1 May 2014.
  - (b) Increase rents for Whakahoa Village tenants by an amount equal to the 2009 increase in the Capital Goods Price Index (CGPI) from the beginning of the first rental period in July 2010 and for all new tenancies beginning on or after 1 May 2010.
  - (c) Apply any alternative funding received to reducing the rental increases (except to Whakahoa Village) referred to above.
  - (d) Where tenants choose to rent garages or carports at any of the Council's social housing complexes, increase rents for these facilities at the same levels referred to above.
3. As a result of the Facilities Maintenance Management (FMM) contract negotiations in late 2009 a net saving to City Housing in excess of \$200,000 was achieved. This contract, which is held by City Care Ltd, is the vehicle through which maintenance at City Housing complexes is achieved.
4. In accordance with the Council resolution detailed in paragraph 2(c) above, it is now proposed that this net saving be applied to the 2010 rental increase to the benefit of all tenants with the exception of the Whakahoa Village tenancies.

**OPTIONS**

5. Options identified include:

- (i) Reduce the 2010 rental increase from 5.7 per cent to 4.3 per cent and thereafter continue with an annual rental increase of 2.8 per cent plus CGPI for the years 2011,2012,2013 and 2014.
- (ii) Spread the reduction in rental increase over three years :
  - 2010 : 4.9 per cent
  - 2011 : 2.3 per cent plus CGPI
  - 2012 : 2.6 per cent plus CGPI
  - 2013 : 2.8 per cent plus CGPI
  - 2014 : 2.8 per cent plus CGPI.
- (iii) Maintain rents at the levels specified in 2 above and invest the FMM contract saving in the Housing Fund for future development, accelerated maintenance or earlier replacement.

6. Comment: Options (i) and (ii) deliver the same savings to tenants over a ten year span.

7. The following table charts the three scenarios based on the current rent for a bedsit unit.

Options	Current Bedsit Weekly Rent \$	2010 / 11	2011 / 12	2012 / 13	2013 / 14	2014 / 15
<b>1. Year 1 Reduction</b>	88	91.78	97.01	102.54	108.38	114.56
<b>2. Reduction Spread Over Three Years</b>	88	92.31	97.11	102.45	108.29	114.46
<b>3. Do Nothing</b>	88	93.02	98.32	103.92	109.84	116.10

Note: The above calculations assume CGPI being constant at annual adjustment upwards of 2.9 per cent.

**PREFERRED OPTION**

8. The option detailed at 5(i) above is the preferred option as it provides tenants with a more significant immediate impact.

**FINANCIAL IMPLICATIONS**

9. The financial implications are limited to an affect on the potential annual contribution to the Housing Fund.

**Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?**

10. No as the LTCCP assumes City Housing rentals will increase in accordance with the formula detailed in paragraph 2 above.

**LEGAL CONSIDERATIONS**

11. Nil

**Have you considered the legal implications of the issue under consideration?**

12. Yes but there are no implications identified.

**ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

13. The proposal is consistent with the LTCCP in particular the operation of a housing portfolio that is financially sustainable for the Council and affordable for tenants.

**ALIGNMENT WITH STRATEGIES**

14. This proposal aligns with the Council's Social Housing Strategy Sustainability Goal.

**CONSULTATION FULFILMENT**

15. There has not been public consultation specifically on this proposal. However it is a reasonable assumption that as there is a benefit to the Council's social housing tenants without any impact on rates or substantial impact on the sustainability of the portfolio there would be minimal, if any, adverse comment.

**STAFF RECOMMENDATION**

It is recommended that the Council resolves to :

Reduce the planned 2010 rental increase for City Housing tenants from 5.7 per cent to 4.3 per cent and thereafter continue with an annual increase of 2.8 per cent plus CGPI for the years 2011, 2012, 2013 and 2014.