



Central Hawke's Bay District Council

# Project Charter DRAFT

Housing s17A Service Delivery Review 2019  
Retirement Housing

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## 1. Executive Summary

Council owns, manages and operates 48 one-bedroom flats, with 24 in Waipawa and in Waipukurau . These flats range from 50 years old (24 in Waipawa) to 36 years old (4 in Wellington Rd Waipukurau). The flats are aimed at able bodied older residents with limited financial means. The flats were built with government low interest loans.

Demand for affordable housing is strong and growing. This is a national problem and Council is a small player in the social and public housing provision sector. Houses once retained as rental properties are being sold to first home owners to meet demand and rental properties are becoming scarce, creating housing supply issues. There is no local Community Housing Provider (CHP), and new state houses are not currently being planned (at least not in the short to medium term).

The activity is self-funding with rentals covering all operating and renewal costs. The reality is that while operating and general maintenance costs are covered, renewals and major upgrades to levels of service are not. In practical terms the rentals are not fully funding depreciation. As the Housing stock ages the funding shortfall will become more evident, forcing rentals to rise significantly or requiring rates subsidies. Designs from 1969 do not meet what is considered acceptable in 2019, especially for disability access, lighting, heating, moisture control, room for mobility scooters and cars, and insulation.

Renewal budgets in the 2018 Long Term Plan look to be too low to meet these demands. This Review will provide realistic funding requirements for the next ten years and project this out to 30 years, and the impact this will have on rentals.

The Council is seeking to consider the future of the Housing activity given this historic and continuing under-funding of the activity. New mandatory rental housing standards are also resulting in a need for immediate increased capital investment and ongoing operating costs.

Current Government policy provides benefits for tenants and owners if the housing is managed or owned by CHPs. Any future decision to deliver the activity through a different ownership or management model will be consulted on in the 2021 – 31 Long Term Plan.

The Council has a Housing Strategic Framework that was adopted in March 2019. This s17A review will be developed within the strategic goals of the Framework, specifically Goal 4 - Retirement housing is provided in the most efficient and effective way.

Successful delivery of the project, will give Council a clear understanding of the costs and benefits of the different options. The outcome of the deliverables is that Council will:

- have a thorough understanding of the current and probable future state of the Council housing assets given the current model
- understand the costs of increasing levels of service to meet expected design and quality standards
- identify the rental income required to fully fund the activity
- Identify the costs and benefits of alternative options from the ratepayers and the tenant's points of view:
  - Current model
    - Rates subsidised
    - Fully funded by rents



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- CCO
- Joint ventures with CHPs
- Shared service with other Councils
- Public Private Partnerships
- Sale to CHP
- Market sale

The draft Housing s17A review will be completed by May 2020.

## 2. Project Description

### 2.1 Background

Central Hawke's Bay is currently facing almost unprecedented demand for housing. Prices for houses have increased significantly, and few rentals are available. This is particularly true for affordable one and two bed houses. The Council responded to these issues in 2017/18 and developed a Housing Strategic Framework.

The demand has continued over the last year with the Ministry of Social Development Public Housing Register recording 17 as at March 2019<sup>1</sup>, with the reality of need on the ground articulating a much bleaker picture. The number of active rental properties in the District has reduced over the last year – new mandatory standards and high house prices have given rental owners incentives to sell with active rental tenancies dropping over 10% in the last 2 years<sup>2</sup>. Population growth during this time has resulted in average rents increasing by 29% - 23% in the last year<sup>3</sup>.

Currently there are just three houses for rent on Realestate.co.nz, all four or five bedrooms. While there are 134 properties for sale only four are two bedrooms, with the cheapest asking \$239,000+ and none are one bedroom properties.

The Council Retirement Housing is now facing high demand and are amongst the cheapest rentals in the market. Mandatory standards are increasing the costs of ownership. Market rentals are increasing. On top of operating costs rising, Council is facing increased renewals as the assets age, with half (24) of the units now 50 years old. The current rents are too low. The effective subsidy by ratepayers in general to the 48 tenants has increased significantly as market rentals have increased. At the same time the value of the housing assets has also increased substantially. Council needs to consider whether this investment is the best solution for the ratepayers and the tenants given government policy on funding and tenant subsidies.

Affordable housing has been identified by the Government as a priority area, and Housing NZ is building thousands of houses. These new public houses are focused on the metro areas currently with no plans to build any public houses in Central Hawke's Bay. Funding from government to support social housing exists for registered CHPs. There is currently no government funding available from government to subsidise Council housing rents, or as grants to upgrade or build new housing.

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<sup>1</sup> The Housing Register represents applicants not currently in public housing who have been assessed as eligible for public housing, and who are ready to be matched to a suitable property.

<sup>2</sup> MBIE Tenancy Bond data – active tenancies to May 2019

<sup>3</sup> MBIE Tenancy Bond data – mean rents to May 2019, smoothed to rolling annual average

## 2.2 'The Project'

The project has been broken into three phases.

### Phase 1 – Current State of Assets and Financial Analysis, Standards and Future Demand

Phase 1 of the project is to develop the scope and planning for the service review. In this phase Elected Members will be asked to make decisions about what is included and excluded in the Review. To assist with decision making, Council Officers will prepare an issues and options presentation that will highlight:

1. The requirements of a s17A LGA 2002 review,
2. Current market demand and supply,
3. Population trends for future demand,
4. Market value of the housing assets,
5. Minimum standards required in all housing rentals vs current condition,
6. Longer term financial sustainability and investment requirements,
7. Government funding policies,
8. Other agencies that are delivering public housing, and their investment plans,
9. Potential other social housing providers.

The presentation will draw on existing housing research material including the Central Hawke's Bay District Housing Demand and Supply Report 2017, Housing Strategic Framework, Salvation Army Demand for Social Housing, Forecast Assumptions, Growth Projections and material from past meetings and the 2018 Community Housing Hui.

The purpose of this phase is to provide an evidence-based presentation to determine the current situation facing Council owned public housing. The presentation will also include analysis of what delivery / funding model peer councils are currently providing (if any), and what rents are being charged.

A draft communications and engagement plan will be included with the aim of reducing any potential stress on Council tenants.

### Phase 2 - Review of Options

Phase 2 of the project will produce an analysis of the delivery options. Options include (note some of these are required by s17A of the LGA 2002):

- Current model
- Set up a Council Controlled Organisation
- Shared service with one or more other Councils through several governance options
- Sell on open market
- Sell to Community Housing Provider (CHP)
- Partnership with CHP
- Any other governance, management or delivery model identified in Phase 1.

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The analysis will assess the relative merits of the above options against the outcomes, goals, policies and strategies in the following:

1. Council Outcomes and vision
2. Council's Community Well-being Strategy
3. The Housing Strategic Framework
4. Financial Strategy
5. Community Housing Hui

## Phase 3 Project Handover

In this phase all documents and the project file are handed over to the responsible Council Officer(s) as well as confirming any tasks required for implementation of any Council resolutions. Note any decisions that support a change in the ownership or management model, will require full consultation through the 2021-31 LTP.

## **3. Project Purpose/Justification**

### **3.1 Business Need/Case**

The following needs and demands have been identified for this project.

- The Housing Strategic Framework Goal 4 - Retirement housing is provided in the most efficient and effective way. Under this Goal Council identified the following:
  - To achieve this we will be undertaking a comprehensive review of the portfolio, including its role and purpose, demand and expected growth, financial and operational performance and sustainability, potential operating models and what opportunities there are for the portfolio to support housing initiatives.
- Meeting government imposed mandatory standards for rental housing (The Healthy Homes Standards) by 1 July 2021 (this is in addition to the standards required 1 July 2019).
- Insufficient rental funding to meet the above standards on top of normal business as usual.
- Insufficient rental funding to meet upgrades in levels of service around obsolete design.
- Insufficient rental funding or other funding sources to build new retirement housing.
- Current government funding policies means that some tenants would be better off if housing was managed / owned by a CHP.

### **3.2 Business Objectives**

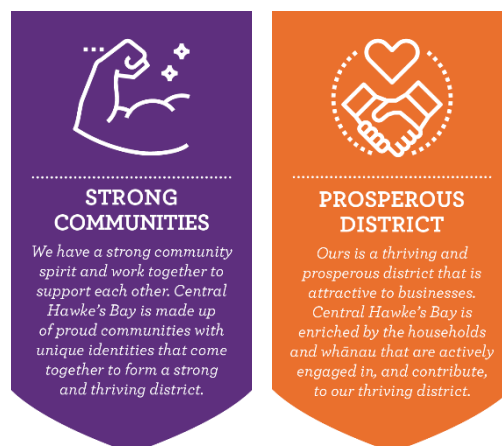
This project will ensure that the Housing Strategic Framework Goal 4 of completing the review of the Councils retirement portfolio is achieved.

Retirement Housing delivers on two of the seven community outcomes developed during Project Thrive. How the project will achieve these are set out in more detail below.

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**Strong Communities** – The development of the Housing Strategic Framework demonstrated the strong community spirit and desire to work together regarding housing concerns. Reviewing the Council housing assets to determine the most efficient and effective ownership and delivery model is one of the actions that Council has direct control over. The outcomes sought by Council are to leverage the current ratepayer investment to maximise the number of housing units, and to achieve the best overall quality of life for current and future tenants.

- Any new housing development can also be a major contributor to the outcome **Prosperous District**. Depending on the scale of housing development this may support business and population growth, more jobs, and general increased wealth. Provision of more retirement housing frees up existing larger houses for new and existing residents, temporary or seasonal employees. Having a larger range of housing options and housing security meets the most basic human need for shelter.



## 4. Project Scope

### 4.1 Project Objectives and Success Criteria

We have developed three project objectives for the Retirement Housing s17A project. These will be confirmed in Phase 1.

- Comply with requirements of LGA 2002 s17A
- Select a preferred option
- An agreed strategy for Retirement Housing is adopted.

## 4.2 High Level Requirements

This project must meet the following list of requirements to achieve success:

- Councillors are fully briefed on options and understand the long term sustainability of the current model.
- Tenants needs are taken into account, and current tenants are kept informed and are not unduly stressed.
- Clear options for LTP consultation are identified, with a preferred option selected.
- Required renewals listed in detail for the next 10 years, and projected to 30 years.
- Operational criteria for tenants identified that aligns with strategic intent.

## 4.3 Major Deliverables

The three major deliverables of this project:

Deliverable 1: A s17A report that considers the costs and benefits for the various ownership, management and operating options.

Deliverable 2: A preferred option for consultation is agreed.

Deliverable 3: List of required renewals and upgrades, as well as possible upgrades subject to funding.

## 4.4 Boundaries

The project boundaries are listed in the table below:

In scope:

- Council owned Retirement Housing

Out of scope:

- Social housing owned by other agencies
- Financial Strategy (rate funding)
- Review of Urban Growth Strategy.

## 5. Project Duration

### 5.1 Timeline

The total timeline of the project is 9 months, with an initial deliverable in Phase 1 of the project due by end November 2019.



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## 5.2 Summary Milestone Schedule

The following milestones have been identified for the project.

**Summary Milestone Schedule – List key project milestones relative to project start.**

Project Milestone	Target Date
• Project Start Up	June 2019
• Prepare Project Charter and present to Council	August 2019
• Confirm Project Charter	August 2019
• Analysis asset data, condition ratings and financials	September 2019
• Complete Phase 1 – Issues and Options	November 2019
• Workshop Phase 1 with Elected Members	TBA
• Phase 2 review options for ownership, management and operational delivery. Informs draft 2020/21 AP.	March 2020
• Workshop results with Elected Members	April 2020
• Final s17A report and draft Retirement Housing Strategy - select preferred option and consultation plan	May 2020
• Incorporate preferred option into initial LTP planning	November 2020
• Seek formal approval for Retirement Housing Strategy and delivery option	April 2021

## 6. Budget Estimate

### 6.1 Funding Source

The project will be funded from operational funding within the Retirement Housing Portfolio. This cost of the review is estimated at \$14,750.

## 7. Assumptions, Constraints and Risks

### 7.1 Assumptions

The following are a list of assumptions. Upon agreement and signature of this document, all parties acknowledge that these assumptions are true and correct:

- The Central Hawke's Bay District Council retirement housing portfolio is a freehold asset owned by the Council.

- That demand for housing in general and affordable retirement units in particular will at least continue to be firm.
- The continued welfare of the current tenants is a priority and in all options they will have security of their tenancy.
- Council is willing to explore and consider the possibility of partnerships or contracting out for the retirement housing portfolio as way to gain potential additional benefits to tenants, increase efficiency and increase investment in local housing.
- Council acknowledges and expects that other organisations will be involved in the provision of housing.
- Government funding and delivery of public housing in the District will remain in its current policy settings.

## 7.2 Constraints

The following constraints pertain to the ***Retirement Housing Review***

- The only funding for upgrades is from the Retirement Housing Reserve.
- There is a limited amount of internal capacity and budget for the project. Research and analysis will reflect the size of the asset and available income. Some options can be ruled out after feedback from Councillors.

## 7.3 Risks

The following risks for the ***Retirement Housing Review*** have been identified. The Project Manager will determine and employ the necessary risk mitigation/avoidance strategies as appropriate to minimise the likelihood of these risks:

- Councillor support to consider options – The Triennial elections in October may result in a different mix of Councillors that do not support a review.
- Government policy may change during the review and change the funding options available. Specifically, there is a chance that Income Related Rent Subsidy (IRRS) funding will be made available to Councils (currently ineligible), or a grant fund for upgrades / new housing established.
- Considerable media attention is probable and subsequent impact on existing tenants is a risk.

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## 8. Project Organisation

### 8.1 Roles and Responsibilities

The following table summarises the key roles and responsibilities of the project.

Name	Title	Project Role
Doug Tate	Group Manager – Customer and Community Partnerships	Project Sponsor – overall responsibility for delivery of project objectives
Jennifer Leaf	Places and Open Spaces Manager	Project Manager – internal management of project and responsibility for implementation of project.
Malcolm Thomas	Thomas Consulting	Project Team Member – assist with project management and lead development of the Review.

### 8.2 Stakeholders

The following key stakeholders have been identified for the project.

Stakeholder	Influence Level	Stakeholders Major Need/Concern That Must Be Met for Success
Elected Members	High	As a key stakeholder and representative of the community, they need to understand the sustainability of the current model, the options and their impacts on Council, tenants and the wider residents / ratepayers.
Housing New Zealand	Low	As primary public housing providers they will be interested in the delivery of housing.
Ministry of Social Development	High	This review impacts on the wider provision of public housing, and the Public Housing register. The government funding policies drive some of the analysis and options.
Other Housing Providers e.g. CHPs from outside the District, Churches.	High	Informed of Council's intentions and potential for public/private partnerships or exit of activity.
Attendees of the Community Housing Hui	High	As key stakeholders and community representatives they will be interested

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and other residents interested in public housing		in Council plans for the Retirement Housing activity.
Tangata Whenua	Medium	As key stakeholders and community representatives they will be interested in housing options identified and how they will impact on Maori residents.
Wider Central Hawke's Bay Community	Medium	The future of Council housing is often an issue that generates considerable debate
Current tenants of the CHBDC retirement houses	High	Understanding of what is going on how the s17A review might affect them.
Private landlords and developers	Low	With just 48 housing units Council is a small player in the wider housing market

## 9. Project Approval Requirements

The project will have reached a successful completion when it has achieved the following requirements.

Success for the **Retirement Housing Review** will be achieved when:

- The Council has a preferred option for the future ownership, management and operation of Retirement Housing.
- The Council has an approved Retirement Housing Strategy in place that:
  - Demonstrates a clear understanding about the long term funding and service delivery of Retirement Housing.
  - Clearly articulates to the community what role Council is taking.
  - Details the level of service that will be delivered.
- Council has identified operational criteria that aligns with the Strategic direction.

## 10. Project Approval

Approval is sought for:

1. Acceptance of the Project Charter and its justification; and
2. That the project proceeds to the issues and options phase.

Approved

**Project Sponsor**