Christchurch City Council

Statement of Proposal

that the Council Restructures its Social Housing Portfolio

Christchurch City Council

Contents

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Reasons for the proposal

1. Introduction

1.1 The Christchurch City Council is considering the Council's role in the provision of social housing, both in the repair and rebuilding of current housing stock and in future ownership and/or management structures.

1.2 In accordance with the requirements of the Local Government Act 2002, this Statement of Proposal includes the details of the proposal, the reasons for it and an analysis of the reasonably practicable options that are available to the Council.

2. Objective

2.1 The Council's objective in respect of the provision of social housing in Christchurch is to:

- Have more flexibility in the future ownership, management and development of the Council's own social housing portfolio.
- Ensure that the portfolio has a financially viable and sustainable future.
- Maintain the capacity to provide the current number of social housing units in the Council's portfolio and to act as a catalyst for the provision of at least 1,000 additional units in the city.

2.2 The purpose of this is to better address the shortage of social housing and the implementation of the Government Social Housing Reform Programme.

3. Summary

3.1 The following is a summary of the matters being consulted on through this special consultative procedure. The Council is proposing that it approaches the issues and objectives with a combination of initiatives.

3.2 The Council's preferred option is that it:

- Establishes as a limited liability company an entity, in which the Council will have an interest of up to 49%, that will be eligible for registration as a community housing provider under the provisions of the Housing Restructuring and Tenancy Matters (Community Housing Provider) Regulations 2014.
- Initially subscribes for all the shares in the new company and appoints the first board of directors.
- Leases to the entity an appropriate mix of social housing assets.
- Gifts or sells to the entity certain assets from the Council's social housing portfolio.
- Transfers the ownership or control of some of the Council's social housing assets either to an entity in which the Council has an interest of up to 49%, or to a third party.
- Enters into arrangements itself with the Council's City Housing partners and others for the redevelopment of some of the land currently used for social housing.
- Takes the appropriate steps to comply with all relevant statutory and regulatory obligations, and the obtaining of all necessary approvals and authorities, which may be required before the Council can undertake the activities and transactions referred to above. This would include requirements under the Local Government Act 2002, Public Works Act 1981 and Reserves Act 1977.

4. Consultation

4.1 To comply with its statutory obligations under section 56 of the Local Government Act 2002 the Council is undertaking a special consultative procedure (section 83 of the Act) before it makes a decision on whether to establish a new entity as a Council-controlled Organisation.

4.2 Transferring ownership or control of social housing assets to the entity or one of the City Housing partners also requires the use of the special consultative procedure (section 97 of the LGA 2002). It is one of the options under consideration.

4.3 Any decision to change the ownership and/or management structures of social housing assets would also be reflected in an amendment to its 2013/16 Three Year Plan. The Council can only achieve this by first undertaking this special consultative procedure.

4.4 The procedure requires the Council to prepare a Statement of Proposal that provides relevant information about the matters being considered.

5. Issues

5.1 Over 90% of Housing New Zealand Corporation's houses were damaged in the Canterbury earthquakes and aftershocks. Approximately 500 are vacant pending repair or replacement. Housing NZ is planning to build up to 700 replacement houses by 2015, at a current rate of 31 per month.

5.2 The next largest landlord in New Zealand is the Christchurch City Council.

5.3 Prior to the earthquakes, the Council owned and operated a portfolio of 2,649 social housing units at 117 complexes. Currently over 400 units are no longer available to rent due to damage, issues with the seismic strength of some buildings, or other health and safety matters.

5.4 113 social housing units at five complexes are in the Red Zone.

5.5 The Land Use Recovery Plan prepared by territorial authorities in the Canterbury region notes that, in Christchurch, there are areas of residential development where a significant proportion of the housing is owned by social and community housing providers. These organisations are supplying housing for some of the most vulnerable communities. With many of these houses damaged and requiring rebuilding, there is now an opportunity to provide more effectively for the community's needs.

5.6 In 2013, the Government announced its Social Housing Reform Programme. If fully implemented, the programme would mean that the Government would purchase services in a social housing environment that would enable greater consumer choice and diversity. The emphasis would no longer be on the Government providing social housing primarily through ownership (e.g Housing NZ), but on a greater percentage of social housing being delivered by non-government providers.

5.7 The Housing Restructuring and Tenancy Matters (Community Housing Provider) Regulations 2014 came into force on 14 April, 2014. The regulations include the criteria for the registration and management of non-government providers (defined as community housing providers). Local authorities, Council-controlled organisations and their subsidiaries (unless operating at "arm's length") are not eligible for registration.

5.8 The effect of this is that, although some current Council social housing tenants will still be paid the accommodation supplement, the Council (as landlord) would not be entitled to receive the Government's new rental subsidy (the Income-Related Rent Subsidy or IRRS). To qualify, tenants must be renting accommodation owned or operated by a community housing provider registered under the Act.

5.9 The regulations set out eligibility criteria for registration as a community housing provider. An applicant for registration must not be a local authority, a CCO, or "a subsidiary of a local authority or council-controlled organisation unless the subsidiary is operating at arm's length from the local authority or council-controlled organisation". The only ownership structure option available to secure eligibility for registration as a community housing provider would be for the Council to own no more than 49% of any registered provider, and for that provider to operate at "arm's length" from the Council.

5.10 While the Regulations do not define what is meant by "subsidiary" of a local authority, the Council has been advised by the Ministry for Business, Innovation and Employment that leasing social housing assets to an entity in which the Council has a 49% or less interest would be permitted under the Regulations. This would enable the entity to be eligible for registration as a community housing provider.

6. Financial Implications

6.1 Council staff have identified that, in order to meet the current and long-term cost of owning and operating its social housing, a significant rent increase (46%) would be required. At present, tenants who are eligible for assistance receive an accommodation supplement from the Government that may reduce the effect of such an increase.

6.2 The Council could decide to do nothing. The effect of this would be that minimal rent increases (say, at Capital Goods Price Index levels) would not be sufficient to meet normal repair and maintenance costs.

6.3 In addition, the Council would not be eligible for IRRS assistance if it was not a registered community housing provider. Under the IRRS scheme, the provider will be able to set rents at market levels and the Government would pay the provider the difference between what a tenant is charged (based on their income) and a market rent. This means tenants pay rents they can afford. For registered providers it means additional income and the ability to maintain and develop their properties to a better standard than might otherwise be the case. Under the existing scheme, the Council's tenants are paying, on average, about 50% of market rents, following a recent increase of 4.9%.

7. City Housing Partners

7.1 In 2013, the Council approved 12 private companies and non-government organisations as City Housing partners. A memorandum of understanding was signed with each entity.

7.2 The purpose was to identify organisations that were interested in working with the Council to re-develop a number of social housing sites. The Council was looking for innovative options for the replacement of existing "old and cold" units.

7.3 Social housing complexes at Andrews Crescent, Brougham Village, Willard Street, Coles Street and Carey Street contain some of these "old and cold" units, as well as more recent buildings that are earthquake-damaged, requiring seismic strengthening, and those that are functionally obsolete.

7.4 In the case of Andrews Crescent, there are currently 36 social housing units situated on a large area of land. The Council proposes entering into an arrangement with one of its City Housing partners for the replacement of the existing social housing stock (on part of the site) at no, or little, cost to the Council. In return, the Council would transfer the balance of the land to the partner for the development of market and low-cost housing.

Details of the proposal

8. The Council proposes that it:

8.1 Establishes as a limited liability company an entity, in which the Council will have an interest of up to 49%,that will be eligible for registration as a community housing provider under the provisions of the Housing Restructuring and Tenancy Matters (Community Housing Provider) Regulations 2014.

8.2 Initially subscribes for all the shares in the new company and appoints the first board of directors.

8.3 Leases to the entity an appropriate mix of social housing assets.

8.4 Gifts or sells to the entity certain assets from the Council's social housing portfolio.

8.5 Transfers the ownership or control of some of the Council's social housing assets either to an entity in which the Council has an interest of up to 49%, or to a third party.

8.6 Enters into arrangements itself with the Council's City Housing partners and others for the redevelopment of some of the land currently used for social housing.

8.7 Takes the appropriate steps to comply with all relevant statutory and regulatory obligations, and the obtaining of all necessary approvals and authorities, which may be required before the Council can undertake the activities and transactions referred to above. This would include requirements under the Local Government Act 2002, Public Works Act 1981 and Reserves Act 1977.

Options analysis

9. The Council has identified and considered the costs and benefits of up to 20 options (22 including two sub-options) for the re-structuring of its social housing portfolio. The results of this analysis are set out in the attachments to this Statement of Proposal.

9.1 The objective is to have more flexibility in the future ownership, management and development of the Council's social housing portfolio; therefore a number of the options would not achieve that.

For example, retaining ownership of most of the portfolio would not be financially sustainable, nor would the Council be eligible for registration as a community housing provider.

Opportunities for increasing the return on the Council's investment in social housing would be limited.

9.2 However, other options indentified could achieve the objective sought.

9.3 For example, the Council could negotiate the sale, to the entity that is established, of social housing assets comprising buildings but not land. The value of the Council's portfolio (buildings only) has been estimated at $215 million.

This option is unlikely to be financially viable to the entity given the cost of borrowing such a large capital sum.

9.4 Four broad entity structures have been identified that could be used to enable the entity to qualify as a community housing provider, and the additional income that would be generated as a result. They are:

a. Establish a limited-liability company as a jointly owned entity with other organisation(s) owning 51% or more of shares.

b. Establish a fully Council-owned company and then sell 51% of shares to other organisation(s);

c. Establish a Council-controlled organisation (CCO) as a fully Council-owned company and then issue new shares (51%) to other organisation(s);

d. Establish a Council-controlled organisation (CCO), which then sets up a subsidiary company/organisation with 51% of shares and/or voting rights, as the case may be, being transferred to a third party.

9.5 Option (a) is not practical in the present circumstances, because no other party or parties have yet been identified to be part of the establishment of the company.

9.6 As a variation on options (b) and (c) above, it would be possible to establish a CCO as a fully Council-owned company and then create new classes of shares for sale/issue to a third party, in such a manner that the different classes of shares allocated would have the consequence of the organisation no longer being a CCO.

These options would need to be considered alongside other eligibility criteria for registration as a community housing provider.

9.7 The Council could negotiate the sale of land and buildings. Again, this may not be financially viable for an entity hoping for registration as a community housing provider. The current rateable value of the Council's social housing portfolio is approximately $343 million.

9.8 It could also gift the buildings only to the new entity and recoup their value through the Council's share of profits generated by the entity and a ground lease in respect of the land.

9.9 Another option is to seek a capital injection from Central Government. The Council has sought such assistance in the past and has been turned down. This is unlikely to change, given the level of the Government's commitment to the Christchurch rebuild.

9.10 A further option is to sell the assets (land and buildings) to an investor, either with or without a long-term lease, to a community housing provider already in place.

9.11 The risk with this option is that the price achieved may be less than the full value of the assets. Also, the investor may not continue to use the assets to provide social housing.

9.12 Also considered were options that would involve the Council retaining its social housing portfolio but taking steps to improve the financial viability of operating the asset.

9.13 As indicated earlier, rents would need to increase by 46% to ensure that the activity was sustainable. This could not be achieved if rent increases were smaller and incremental.

9.14 Alternatively, the Council could amend its current policy and use rates income to fund the provision of social housing. It is estimated that this would require $9 million per year, with an expected rates increase of 2.3% to 2.7%.

9.15 An important aspect of these options is that the Council would not be able to access the Government's Income-Related Rent Subsidy.

General comments with regard to options

10. Attachment A sets out the 20 options identified and assessed by the Council. Seven of these involve an entity that is either established by the Council for the purpose of it becoming a community housing provider, or that is already a third-party, “arm’s length” organisation.

10.1 The other 13 options involve the Council retaining its social housing portfolio, with varying levels of financial sustainability.

10.2 Attachment B is a more detailed financial analysis of the 20 options.

10.3 While actual figures may vary, it is assumed that the Council’s social housing portfolio has a value the same as, or similar to, the 2013 rateable value, which is $215 million for the buildings and $343 million for both land and buildings.

10.4 The methodology adopted for the 2013 general re-valuation of properties in Christchurch excluded the effect of earthquake damage. It was considered that this was essentially an insurance issue and that damaged properties would be repaired or rebuilt to pre-earthquake standards.

10.5 The Council has yet to settle its insurance claim in respect of material damage caused by the earthquakes. Until this claim is settled, it is difficult to assess more accurately the benefit to the Council of any sale or lease.

10.6 It would also be relevant in the negotiation of any lease arrangements. The Council is unlikely to be able to sell or lease earthquake-damaged properties.

10.7 Attachment C contains an assessment of options for the provision of social housing by the Council prepared by one of its external legal advisors, Simpson Grierson.

10.8 A summary of the options has been prepared (Attachment D).

10.9 Attachment E contains details of the Council’s current social housing portfolio.

10.10 To meet the purpose of local government, the preferred option should be the most cost-effective for households and businesses.

10.11 As the Council is ineligible for the Government’s IRRS assistance, it is difficult for the Council itself to satisfy this requirement. It will always be more cost-effective for the local community to have a tax-payer contribution. The Council, therefore, has little choice but to restructure its involvement in social housing so that eligibility can be secured. This will necessarily involve ownership or control of the existing social housing portfolio being divested to a new entity that is eligible for the IRRS.

10.12 Of all the reasonably practicable options identified, it has been assessed that Option 1 is most the most cost-effective option for households and businesses. The reasons for this are considered in the financial analysis and other supporting documents contained in the Attachments.

Conclusion

11. Council staff have carried out an analysis of 20 options that they have identified as being reasonably practicable.

11.1 Four of those options have been assessed as being of sufficient viability to meet the Council’s objective.

11.2 The Council’s preferred option is that it:

11.3 Establishes as a limited liability company an entity, in which the Council will have an interest of up to 49%, that will be eligible for registration as a community housing provider under the provisions of the Housing Restructuring and Tenancy Matters (Community Housing Provider) Regulations 2014.

11.4 Initially subscribes for all the shares in the new company and appoints the first board of directors.

11.5 Leases to the entity an appropriate mix of social housing assets.

11.6 Gifts or sells to the entity certain assets from the Council’s social housing portfolio.

11.7 Transfers the ownership or control of some of the Council’s social housing assets either to an entity in which the Council has an interest of up to 49%, or to a third party.

11.8 Enters into arrangements itself with the Council’s City Housing partners and others for the redevelopment of some of the land currently used for social housing.

11.9 Takes the appropriate steps to comply with all relevant statutory and regulatory obligations, and the obtaining of all necessary approvals and authorities, which may be required before the Council can undertake the activities and transactions referred to above. This would include requirements under the Local Government Act 2002, Public Works Act 1981 and Reserves Act 1977.

Legal considerations

12. A number of issues arise with regard to the proposals set out in this document apart from the need to comply with the procedural requirements of the Local Government Act 2002. In particular:
    - Whether the proposals come with the scope of the purpose of local government
    - Whether the proposal is most cost-effective for households and businesses
    - Compliance with the requirements of the Public Works Act 1981, Reserves Act 1977 and other relevant legislation.

12.1 The following matters are also relevant:

- Balancing the interests of different sectors in the community
- Consideration of the fact that social housing is a strategic asset
- Whether the Council is undertaking commercial transactions in accordance with sound business practices
- Whether the Council is exercising prudent stewardship and the effective and efficient use of resources.

13. Purpose of Local Government

13.1 The role of a local authority is is set out in section 11 of the Local Government Act 2002. This is to give effect to the purpose of local government stated in section 10 of the Act.

13.2 Unless there is an express statutory duty or right expressed in that or any other Act, it is necessary to consider whether or not an activity of the Council comes within the scope of section 10 of the Act. Following a recent amendment, that section now provides that the purpose of local government is to:

- Enable democratic local decision-making and action by, and on behalf of, communities; and
- Meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way which is most cost-effective for households and businesses.

13.3 "Good quality" is defined in section 10(2) as meaning infrastructure, services and performance that are efficient, effective and appropriate to present and anticipated future circumstances.

13.4 The changes to the purpose statement narrow, to a material degree, the powers of local government as set out in section 12 of the LGA 2002. For the Council to use those powers lawfully, with regard to the provision of social housing, it would first need to establish that this activity comes within the role of the Council and the purpose of local government.

13.5 However, a court is unlikely to conclude that the Council's existing social housing portfolio has now become unlawful because of the change of purpose of local government. It is also unlikely that a lease of the social housing assets to a new entity would be unlawful on the basis that it does not give effect to the purpose of local government.

13.6 Neither "local infrastructure" nor "local public services" is defined in the LGA 2002, although "community infrastructure" is listed in section 11A as one of the core services of a local authority. Its definition in section 197(2) of the Act involves Council control and ownership of assets for the provision of public amenities. However, social housing lacks the public element of the term, in that housing is not generally open to the public at large.

13.7 The concept of local infrastructure is essentially its "public" nature. In that context, the Council believes that provision of public-sector rental housing is "social infrastructure", a term that has been adopted by Central Government and which appears to be in more common usage. In the Government's National Infrastructure Report 2013, social infrastructure, including housing, is separately identified and addressed as a significant sector of infrastructure. In the Council's view, social housing falls within the definition of local infrastructure.

13.8 The Council has interpreted "local" as simply referring to activities undertaken within the Council's district. It further believes that, as a result of the effects of the earthquakes, the Council's involvement in the provision of social housing is for the purpose of meeting the particular current and future needs of the Christchurch community.

13.9 The Government has itself recognised this by looking to work together with the Council to address housing supply issues in Christchurch through the Housing Accord.

14. Cost-effectiveness

14.1 There is the issue of cost-effectiveness. To comply with its obligations under the LGA 2002, the Council must identify and evaluate all reasonably practicable options and select the most cost-effective option available for developing its role in the provision of social housing

14.2 The ultimate aim is the addition of 1,000 social housing units in Christchurch. This is estimated to cost $250 million to $350 million (at $250,000 to 350,000 for each unit).

Attachments

Attachment A: Description of Options for Social Housing Portfolio

Attachment B: Social Housing Options Financial Analysis

Attachment C: Potential Structures for Christchurch City Council to Provide Social Housing

Attachment D: Summary of Options

Attachment E: Details of the Council's Current Social Housing Portfolio

Submissions

This Statement of Proposal will be available for inspection during ordinary office hours at the following places:

- Civic Office, 53 Hereford Street, Christchurch
- Christchurch City Council libraries and service centres

A copy of the document may also be viewed on the Council's website at www.ccc.govt.nz/haveyoursay. A summary of the information contained in the Statement of Proposal will also be distributed as a basis for general consultation.

Submissions may be made in writing to the Council between Wednesday 21 May, 2014, and 5pm on Thursday 26 June, 2014. Submissions can be made:

- Through the Council's website: www.ccc.govt.nz/haveyoursay
- Via email: housingsubmission@ccc.govt.nz
- By completing the submission form attached to the Statement of Proposal, or in any other written form, and posting to:

Freepost 178
Social Housing Proposal
Christchurch City Council
PO Box 73016
Christchurch 8154

Any person who makes a submission will have the opportunity to be heard by the Council, but must make that request in their written submission. The submitter's name, address and contact telephone number must be included on the first page. No anonymous submissions will be accepted. Hearings will be held during July 2014. Submitters who have asked to be heard will be advised of the dates available.

The Council is legally required to make all written or electronic submissions available to the public and to Councillors, including the name and address of the submitter. The submissions, including all contact details provided, will be available to the public. Information will be available to the public subject to the provisions of the Local Government Official Information and Meetings Act 1987. If you consider there to be compelling reasons why your contact details and/or submission should be kept confidential, you should contact the Council's Hearings Team Leader, Megan Pearce, by phoning (03) 941 8999 or 0800 800 169.

Attachment A

Description of Options for Social Housing Portfolio

Entity	1	Lease land and buildings to a Community Housing Provider (CHP) (Council's preferred option)	Christchurch City Council would lease the social housing land and buildings to a Community Housing Provider.
Entity	2	Sell social housing buildings to a Community Housing Provider and Christchurch City Council keep the land	The buildings are sold to a Community Housing Provider and Christchurch City Council receive money from the lease of the land.
Entity	2a	Sell social housing buildings to a Community Housing Provider at a price that allows the Community Housing Provider to be financial viable	The buildings are sold to a Community Housing Provider and Christchurch City Council receive money from the lease of the land.
Entity	3	Sell social housing buildings and land to a Community Housing Provider	All social housing buildings and land are sold at market value to a Community Housing Provider.
Entity	3a	Sell social housing buildings and land to a Community Housing Provider at a price that allows the Community Housing Provider to be financially viable	All social housing buildings and land are sold at market value to a Community Housing Provider.
Non-Entity	4	Central Government capital injection to social housing	"Formally ask Central Government to invest in social housing buildings in order to make Christchurch City Council social housing financially sustainable (not asking for any Income Related Rent Subsidy and Christchurch City Council retain full ownership). *Please note: this could relate to a one off capital injection or on-going financial contribution."
Entity	5	Gift social housing buildings to a Community Housing Provider and Christchurch City Council retain ownership of the land	The building is gifted to a Community Housing Provider and Christchurch City Council receive money from the lease of the land.
Entity	6	Sell social housing land and buildings – with a Community Housing Provider lease in place.	Christchurch City Council sell the social housing complexes (land and buildings) with a Community Housing Provider lease in place for an agreed period of time.
Non-Entity	7	Rates injection to social housing	"Ask Council for rates money to put into social housing to ensure the financial sustainability of social housing. *Please note: this could relate to a one off capital injection or on-going financial contribution."
Entity	8	Gift social housing buildings and land to a Community Housing Provider	All social housing buildings and land are gifted to a Community Housing Provider.
Non-Entity	9	Rent increase 46%	46% rent increase would result in the social housing portfolio becoming financially sustainable and includes cost to strengthen the buildings.
Non-Entity	10	Do nothing and continue with minimal rent increases	Small percentage increases of rent on an annual basis. All social housing buildings and land would remain financially unsustainable. Continue with Partnerships Programme.
Non-Entity	11	Sell and lease back 17 under-capitalised sites	Sell under-capitalised properties on the market, or to a developer and then Christchurch City Council lease back to use as social housing for an agreed period of time. The developer could then change the use at the end of the lease.
Non-Entity	12	Christchurch City Council retain and operate social housing buildings and land, however no longer fund for replacement	The Local Government Act 2002 requires Councils to fund for replacements so Christchurch City Council would no longer fund for replacement and over time exit social housing.

Entity	13	Rent increase 35%, and sell 17 under-capitalised sites to a Community Housing Provider	Selling the under-capitalised complexes to a Community Housing Provider and applying a rent increase of 35% to the retained sites brings the social housing buildings and land to a sustainable level. The Community Housing Provider could access Income Related Rent Subsidy to maintain / re-develop these sites.
Non-Entity	14	Affordable housing and social housing portfolio	Use the social housing buildings and land for both affordable rental housing and social housing purposes. Make use of the higher income received from affordable housing to subsidise social housing (returning to the former public housing model).
Non-Entity	15	Sell social housing buildings and land and build new stock	Sell social housing buildings and land to get the greatest return and reinvest capital into new social housing developments.
Non-Entity	16	Buy new social housing stock – Invest	Attempt to get out of the current financial situation by increasing revenue for the new properties to off-set the loss on some of the worst properties.
Non-Entity	17	Rent increase to market level – Exit social housing	Christchurch City Council increase rents to a market level to make all social housing buildings and land financially sustainable and return a dividend to Christchurch City Council rate payers.
Non-Entity	18	Rent increase of 32% and sell 17 under-capitalised sites	Selling the under-capitalised complexes and applying a rent increase of 31% to the retained sites results in all social housing buildings and land being financially sustainable.
Non-Entity	19	Demolish all social housing buildings and land and re-develop through a build, own, operate and transfer scheme; or a build, own, and transfer scheme	Christchurch City Council agrees to demolish all social housing buildings and land and use the land to build better quality housing via a build, own, operate and transfer scheme. This means that Christchurch City Council would operate a lease to own scheme over an agreed period of time.
Non-Entity	20	Sell all social housing buildings and land and exit provision of social housing	Sell all social housing buildings and land in accordance with relevant legislation, exiting social housing provision.

Attachment B

Social Housing Options Financial Analysis

Option	CCC Net Financial Impact (refer following sheets for detail)	Financial Viability for:	
		CHP	CCC
1. Lease land and buildings to a Community Housing Provider (CHP) (Council's preferred option)	$3.8 million annual surplus funds	Yes	Yes
2. Sell Social Housing buildings to a Community Housing Provider and Christchurch City Council keep the land	$3.55 million annual surplus funds	No	Yes
2a. Sell Social Housing buildings to a Community Housing Provider at a price that allows the CHP to be financially viable	$3.55 million annual surplus funds	Yes	Yes
3. Sell Social Housing land and buildings to a Community Housing Provider	No impact but a reduction in total debt	No	Yes
3a. Sell Social Housing land and buildings to a CHP at a price that allows the CHP to be financially viable	No impact but a reduction in total debt	Yes	Yes
4. Central Government capital injection to Social Housing	No impact	N/A	Yes
5. Gift Social Housing buildings to a Community Housing Provider and Christchurch City Council retain ownership of the land	$8.35 million annual surplus funds if buildings are not replaced $3.55 million annual surplus funds if fund created to replace buildings	Yes	Yes
6. Sell Social Housing land & buildings – with a Community Housing Provider lease in place	No impact but a reduction in total debt	Yes	Yes
7. Rates injection to Social Housing	$9 million increase in rates funding	N/A	Yes
8. Gift Social Housing buildings and land to a Community Housing Provider	No impact	Yes	Yes
9. Rent increase 46%	No impact	N/A	Yes
10. Do nothing and continue with minimal rent increases	Potential requirement to fund $150 million	N/A	No
11. Sell and Lease back 17 under-capitalised sites	No impact	N/A	Yes
12 . Christchurch City Council retain and operate Social Housing buildings and land, however no longer fund for replacement	No impact	N/A	Yes
13. Rent increase 35%, and Sell 17 under capitalised sites to a Community Housing Provider	No impact	Yes	Yes
14. Affordable Housing and Social Housing portfolio	Requires Council to fund the gap in funding	N/A	No
15. Sell Social Housing buildings and land and build new stock	Potential requirement to fund $358 million difference between sales price & rebuild cost	N/A	
16. Buy new Social Housing stock – Invest	Requires Council to fund the gap in funding	N/A	No
17. Rent increase to market level – Exit Social Housing	$6.8 million annual surplus funds	N/A	No
18. Rent increase 32% and sell 17 under-capitalised sites	No impact	N/A	Yes
19. Demolish all Social Housing buildings and land and re-develop through a build, own, operate and transfer scheme; or a build, own, and transfer scheme	Requires Council to fund the gap in funding	N/A	No
20. Sell all Social Housing buildings and land and exit provision of Social Housing	No impact but a reduction in total debt	N/A	No

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
1	Lease land and buildings to a CHP (Council's preferred option)	Council retains ownership of the land and buildings and leases the properties to a Community Housing Provider. Under this option the CHP has a lease for up to 45 years and is responsible for all operational costs, maintenance and renewals (roofs / carpets etc) but not replacement of the buildings at the end of the lease. The CHP receives income equivalent to market rents and taking into account all of the costs mentioned above the CHP could afford to pay a rent of approximately \$8.6 million per year. This would leave the CHP with a small annual surplus. The Government's Income Related Rental Subsidy (IRRS) can be accessed.	The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives. After applying the \$8.6 million income from the CHP to be set aside for replacement of stock, there would remain a surplus of \$3.8 million for Council consideration. With a change in current policy, the surplus funds of \$3.8 million could be applied to other Council activities – potential rates reduction of 1-1.15% over life of lease. Applying the \$3.8 million annual surplus to borrowing reduces debt by \$45 million in the first 10 years.	Council's rental income equates to a return on investment in land and buildings of 2.5%. With a change in current policy, Council could use the rental receipts: • To create a fund to pay for the replacement of the portfolio at end of lease and the surplus of \$3.8 million is used for other housing initiatives. • Create a fund to pay for the replacement of the portfolio and the surplus \$3.8 million is used to fund operational activities this will reduce rates by approximately 1-1.15% per annum. • Create a fund to pay for the replacement of the portfolio and the surplus \$3.8 million per annum is used to reduce debt; this will reduce the Council's projected maximum debt by \$45 million in the first 10 years.	Replacement of buildings costs more than expected at the end of the lease Council retains the risks of ownership and operation of the social housing activity, although these are minimised by the terms and conditions of the lease. A peer review of the Social Housing modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Preferred Option** Additional government subsidies can be accessed. Potential to reduce Council's borrowing and/or operational costs to reduce rates requirement. Council will have sufficient funds in the Housing Fund to fund the replacement of the buildings at the end of the lease.

Option		Modelling Information	Financial Analysis		Risks	Recommendation
			Impact on Rates	Impact on Council		
2	Sell Social Housing buildings to a CHP and CCC keep the land	Council retains ownership of the land but sells its social housing buildings to a CHP who then provide the service allowing the Government's IRRS to be accessed. Detailed valuations would be needed to make this happen but in the interim the 2013 Rateable Values have been used to consider how this option might work. The key assumption is that the rateable value assumes all earthquake repairs are completed and that the Council has sufficient funds to enable this to occur. This equates to $215 million. Council would charge the CHP a Ground Lease for the use of the land. Using the rateable values and current market rents for land this equates to $8.35 million per year (based on $128.5 million rateable value of land at 6.5%). In this option the CHP is not the long term owner of the land and may be unwilling to invest in the replacement of the housing stock over time.	The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives. With a change in current policy, proceeds could be used for other activities: • Other rebuild projects reducing borrowing by $215 million and financing costs by approximately $12.9 million in year one. This would reduce the Council's projected maximum borrowing from $1.9 billion in 2022 to $1.6 billion in 2019. • The annual rental income could be used to create the fund to finance the replacement of the social housing properties at the end of their life. The Social Housing Options modelling estimates in Option 1 that $4.8 million per annum for the life of the lease would be required for this purpose. The surplus annual rental of $3.55 million could be used to reduce borrowing by $41.5 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 0.9 – 1.0% per annum.	If the proceeds are applied to other housing initiatives, Council will expand this activity. • With a change in current policy, proceeds could be utilised for non-housing activities such as: • Reducing borrowing by $215 million this would reduce interest costs by approximately $12.9 million in year one. The Council's projected maximum borrowing would reduce to $1.6 billion in 2019. • Using the annual rental income to create the fund to finance the replacement of the social housing properties at the end of their life. The Social Housing Options modelling estimates in Option 1 that $4.8 million per annum for the life of the lease would be required for this purpose. The surplus annual rental of $3.55 million could be used to reduce borrowing by $41.5 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 0.9 – 1.0% per annum. • The annual rental income from the land could also be used to reduce borrowing by $98 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 2.5-2.1% per annum. Council is likely to have to provide additional funding to the CHP due to the sizable debt of the CHP.	Market value of buildings is less than $215 million given the structure that is in place and that any future sales price may need to be discounted. Council would need to fund the replacement of the housing stock at the end of each property's life if a portion of the annual rental income is not applied to this purpose. CHP is not economically viable and may not be able to get funding for the purchase. As a result the CHP may require shareholder guarantees or further funding. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council	**Not recommended** The financial implications and risk to Council mean this option cannot be recommended.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
2	Sell Social Housing buildings to a CHP and CCC keep the land	Council would need to set aside funds to replace the housing stock at the expiry of the lease if it wants social housing to be available for future generations. In 45 years time the Social Housing fund would have a balance of around $4.1 billion after allowing for replacement of the housing stock. (If the funds were not used elsewhere). By comparison the CHP earns market rent (almost double the current rent earned by Social Housing) but this is insufficient to cover the asset and operating costs and the mortgage required to purchase the asset and deal with the 10 year funding shortfall. With all outgoings being higher than income the CHP would end up owing in the order	• The annual rental income $8.35 could also be used to reduce borrowing by $98 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 2.5-2.1% per annum).			

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
2a	Sell Social Housing buildings to a Community Housing Provider at a price that allows the CHP to be financially viable	The same as Option 2 but rather than sell the buildings to the CHP at market value the Council sells the buildings at a value which allows the CHP to be financially viable. The CHP can access the Government's IRRS. This price has been assessed at $17 million Council would charge the CHP a Ground Lease for the use of the land. Using the rateable values and current market rents for land this equates to $8.35 million per year (based on $128.5 million rateable value of land at 6.5%). Council would still be required to assist in the replacement of the buildings at the end of their life. Over 51% of this is required in approximately 45 to 55 years time.	Based on a sales price of $17 million: The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives. With a change in current policy, proceeds could be used for other activities: • Other rebuild projects reducing borrowing by $17 million and financing costs by approximately $1 million in year one. The Council's projected maximum borrowing would remain at $1.9 billion in 2022. • The annual rental income could be used to create the fund to finance the replacement of the properties at the end of their life. The Social Housing Options modelling estimates in Option 1 that $4.8 million per annum for the life of the lease would be required for this purpose. The surplus annual rental of $3.55 million could be used to reduce borrowing by $41 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 0.9 – 1.0% per annum. • The annual rental income could also be used to reduce borrowing by $98 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 2.5-2.1% per annum).	Based on a sales price of $17 million: If the proceeds are used for other housing initiatives, Council will expand this activity. With a change in current policy, proceeds could be utilised for non-housing activities such as: • Reducing borrowing by $17 million this would reduce interest costs by approximately $1 million in year one. The Council's projected maximum borrowing would remain at $1.9 billion in 2022. • Using the annual rental income to create the fund to finance the replacement of the social housing properties at the end of their life. The surplus annual rental of $3.55 million could be used to reduce borrowing by $41 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 0.9 – 1.0% per annum. • The annual rental income from the land could also be used to reduce borrowing by $98 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 2.5-2.1% per annum. Council would recognise a loss on sale of the buildings of $196 - $211 million and would need to fund the replacement of the buildings at the each of property's life.	The sales price at which this option becomes financially viable to the CHP could be different from the current estimate. Council would need to fund the replacement of the housing stock at the end of each property's life. Further modelling is required to determine at what price the CHP would be able to fund the replacement of the buildings. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Not Recommended** The CHP is financially viable but Council still needs to fund the replacement of buildings. Further investigation is required of the sales price that would allow the CHP to be financially viable and fund the replacement of the buildings

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
3	Sell Social Housing buildings and land to a CHP	Council sells its Social Housing properties to a CHP who would then provide the service allowing the Government's IRRS to be accessed. Detailed valuations would be needed to make this happen but in the interim the 2013 Rateable Values have been used to consider how this option might work. This equates to $343.5 million. The CHP earns market rent (almost double the current rent earned by Social Housing) but this is insufficient to cover the asset and operating costs and the mortgage required to purchase the land and buildings and deal with the funding shortfall. The CHP would not be able to replace the buildings in a timely way. It is expected that with the outgoings being higher than income the CHP would end up owing in the order of $3.64 billion by the year 2060 (largely due to mortgage costs).	The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives. With a change in current policy, the sales proceeds could be applied to: • Other rebuild projects this would reduce borrowing by $343.5 million and interest costs by approximately $20.5 million per annum. This would consequently reduce the Council's projected maximum borrowing from $1.9 billion in 2022 to $1.5 billion in 2019.	With a change in current policy, these funds could be applied to other rebuild projects. Or the funds could be applied to other social housing or affordable housing initiatives. • Applying to other rebuild projects reduces the maximum Council borrowing from $1.9 billion in 20122 to $1.5 billion in 2019	Any sale must preserve the insurance position. Market value of the land buildings is less than $343.5 million given the structure and condition of the buildings. Under this scenario the CHP is not economically viable (based on assumptions within the Social Housing options modelling – in particular the debt servicing requirements). There is a risk that additional funding, shareholder guarantees or investments would be required from shareholders A peer review of the Social Housing options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Not Recommended** The financial implications and risk to Council mean this option cannot be recommended.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
3a	Sell Social Housing land and buildings to a CHP at a price that allows the CHP to be financially viable	The same as Option 3 but rather than sell the buildings and land to the CHP at market value the Council sells the land and buildings at a value which allows the CHP to be financially viable. This price has been assessed at $154.27 million The CHP earns market rent (almost double the current rent earned by Social Housing) and this is sufficient to cover the asset and operating costs and the mortgage required to purchase the land and buildings (at the discounted price). This mortgage lasts for 45 years. As an owner the CHP would be responsible for replacing the buildings. Over 51% of this is required in approximately 45 to 55 years time requiring it to again go into debt for 35 to 40 years but the CHP has sufficient income to do this.	Based on a sales price of $154.27 million: The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives. With a change in current policy, the sales proceeds could be applied to: • Other rebuild projects this would reduce borrowing by $154.27 million and interest costs by approximately $9.2 million per annum. This would consequently reduce the Council's projected maximum borrowing from $1.9 billion in 2022 to $1.72 billion in 2021.	Based on a sales price of $154.27 million: With a change in current policy, these funds could be applied to other rebuild projects. Or the funds could be applied to other social housing or affordable housing initiatives. • Applying to other rebuild projects reduces the maximum Council borrowing from $1.9 billion in 20122 to $1.72 billion in 2021. Council would recognise a loss on sale of the land and buildings of $189.23 million.	Any sale must preserve the insurance position. Under this scenario the CHP is economically viable The sales price at which the CHP obtains economic viability could be different from the current estimate. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Potential Option** The CHP is financially viable. Further investigation is required of the sales price and impact to Council.

Option		Modelling Information	Financial Analysis		Risks	Recommendation
			Impact on Rates	Impact on Council		
4	Central Government capital injection to Social Housing	An alternative to increasing rents for tenants is to request direct support for social housing from the Government. A similar request was made in 2009 and rejected. Since that request the earthquake and changes in Government's policy have occurred. A revised request could be made for direct support. A lump sum contribution of around $230 million would be required to avert the need for the rent increase to tenants. The Government's IRRS cannot be accessed. Again future cost escalation above anticipated inflation or unforeseen expenditure may result in the need for further increases above those allowed for in the forecasts.	No impact to ratepayers.	No impact to Council as funds can only be utilised by Social Housing.	Unlikely, given the Government's other commitments to Christchurch. Council retains the risks of ownership and operations of the social housing activity.	**Not Recommended** While financially viable for Council to continue to provide Social Housing without the need for a significant rent increase the additional government assistance is highly unlikely to be able to be accessed.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
5	Gift Social Housing buildings to a CHP and Council retain ownership of the land	Council retains ownership of the land but gifts the social housing buildings to a CHP who then provides the service. The value of the gift is the market value of the buildings transferred to the CHP's ownership, $215 million based on 2013 Rateable Value (assumed market value). The CHP can access the Government's IRRS Council would need to set aside funds to replace the housing stock at the expiry of the lease if it wants social housing to be available for future generations. The CHP will pay a ground lease of $8.35 million per annum to Council.	The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives. With a change in current policy, the annual rental income could also be used to: • The annual rental income could be used to create the fund to finance the replacement of the social housing properties at the end of their life. The Social Housing Options modelling estimates in Option 1 that $4.8 million per annum for the life of the lease would be required for this purpose. The surplus annual rental of $3.55 million could be used to reduce borrowing by $44 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 0.9 – 1.1% per annum. • reduce borrowing by $8.35 million per annum which will reduce the Council's projected borrowing by $100 million in the first 10 years; • reduce operating costs by $8.35 million per annum which in turn will reduce rates by approximately 2.5 to 2.1% per annum.	No impact on Council's maximum debt levels unless ground lease revenue is used to reduce borrowing. Using the annual rental income to create the fund to finance the replacement of the social housing properties at the end of their life. The Social Housing Options modelling estimates in Option 1 that $4.8 million per annum for the life of the lease would be required for this purpose. The surplus annual rental of $3.55 million could be used to reduce borrowing by $44 million in the first 10 years or used to reduce operating costs which would reduce rates by approximately 0.9 – 1.1% per annum. Council's total assets would reduce by approximately $110 million (51% of the assets gifted). Council's investment in the CHP could become a significant asset depending on the value of its assets and financial performance.	Council may not be able earn a return on the investment in the CHP. Council would need to fund the replacement of the housing stock at the end of each property's life if a portion of the annual rental income is not applied to this purpose. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Potential Option** Financially viable for CHP and Council (based on assumptions with-in the Social Housing Options modelling

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
6	Sell Social Housing land & buildings – with a CHP lease in place	Council establishes a lease of the properties to a CHP and then sells the properties on the open market. Under this option the CHP has a lease for up to 45 years and is responsible for all operational costs, maintenance and renewals (roofs / carpets etc) at the end of the lease but not replacement of the buildings. The CHP can access the Government's IRRS receiving a total income equivalent to market rents and taking into account all of the costs mentioned above they could afford to pay a rent of approximately $8.6 million per year. This leaves them with a small surplus but the rental income equates to a return on investment of just 2.7% relative to the rateable value of $343.5 million. Private landlords are highly likely to be interested in the property for redevelopment purposes at the end of the lease with rental revenue providing the 'holding' costs. The estimated sales proceeds would be $98.6 million.	The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives. With a change in current policy, the sales proceeds could be applied to: • Other rebuild projects this will reduce borrowing by $92 million and interest costs by approximately $5.5 million per annum. This would reduce the Council's projected maximum borrowing from $1.9 billion in 2022 to $1.8 billion in 2022.	The market price is likely to be reduced to $92 million as a result of the lease. The sales proceeds and rental income until the time of sale could be applied to rebuild or other social housing or affordable housing initiatives. With a change in current policy, Council could apply the funds to: • social or affordable housing initiatives would have no significant financial impact to Council. • other rebuild projects reduces the maximum Council borrowing from $1.9 billion in 2022 to $1.8 billion in 2022. Council would recognise a loss on sale of $251.5 million.	The Council sells the land and buildings at less than $92 million recognising a larger loss on sale. Reduction in the number of Social Housing properties in the City as at the end of the lease the new owner may not replace with new Social Housing. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Not Recommended** Financially viable for CHP and Council (based on assumptions within the Social Housing options modelling) Risk that social housing is not maintained at end of lease.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
7	Rates injection to Social Housing	An alternative to increasing rents for tenants is to fund the current funding gap from rates. Over many decades the Council has kept its social housing service separate and rates funding has not been used. The Government's IRRS cannot be accessed.	The funding shortfall is expected to require rates funding of just less than $9 million per year on an ongoing basis. Spread across all ratepayers this equates to approximately a 2.7 to 2.3% rates increase.	There is minimal impact to Council from this option.	Future cost escalation above anticipated inflation or unforeseen expenditure may result in the need for further increases above those allowed for in the forecasts. Council retains the risks of ownership and operations of the social housing activity. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes including the annual rates funding requirement which will amend the impact to ratepayers and Council.	**Not Recommended** While financially viable for Council to continue to provide Social Housing without the need for a significant rent increase the increase in rates required is not in line with the Council's financial strategy. Cannot access the additional Government assistance.
8	Gift Social Housing buildings and land to a CHP	Council gifts the land and buildings to the CHP. The CHP can access the Government's IRRS and receive a market rent for the properties from tenants. The CHP will need to borrow funds over the first 10 years to pay for the gap in funding but will have sufficient revenue to cover this. It can repay the loan and then start saving for future lifecycle expenditure and replacement of the housing stock in approximately 50 years. The CHP would have a surplus estimated at $1.9 billion in 50 years' time, after it has replaced approximately 80% of the buildings.	The current Council approved policy is for Social Housing to be rates neutral. Therefore there would be no impact on rates if any surplus is used for other housing initiatives.	Council's total assets would reduce by approximately $175 million (51% of the assets gifted based on the 2013 Rateable Value of $343.5 million). These assets are not income earning assets so this is unlikely to affect Council's ability to borrow. Council's investment in CHP could become a significant asset depending on the value of its assets and the expected surplus of $1.9 billion in 50 years' time. The ability of the CHP to charge market rents mean it can replace buildings at the end of their life. Council has the potential to earn dividend income (subject to potential legislative restrictions). The estimated surplus of the CHP could be applied into other social and affordable housing projects.	Council may not earn a return on the investment in the CHP. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Potential Option** Financially viable for CHP and Council (based on assumptions within the Social Housing options modelling)

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
9	Rent increase 46%	Tenants rent is increased 46%. The Government's IRRS cannot be accessed. Such a rent increase would result in a portfolio becoming financially sustainable and would fund the; replacement of severely damaged units, strengthening where required and all operating and life cycle costs including the replacement of the buildings at the end of a 90-year life. NB; this option can be tailored to align with the level of financial sustainability attempting to be achieved.	No impact on ratepayers as social housing would remain totally self funding.	No impact on Council on basis that social housing remained self funding.	Tenants cannot access new market rent subsidies but will continue to access the accommodation supplement and some may end having to pay more than 30% of their income in rent. Council retains the risks of ownership and operations of the social housing activity. A peer review of the Social Housing Options modelling is still to be undertaken which may result in changes which will amend the impact to ratepayers and Council.	**Not Recommended** Cannot access the additional Government assistance.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
10	Do Nothing and continue with minimal rent increases	Current rents are on average 49% of the market rate, barely cover operating costs for the social housing service. Over the next four years significant expenditure is required to strengthen buildings and cover unfunded earthquake repairs. The Government's IRRS cannot be accessed. Additional expenditure is required over the next ten years to upgrade housing stock so it can meet an acceptable standard that will last for another 40 to 50 years. Total expenditure over the next ten years is estimated to be $395 million. The funding shortfall over the next ten years is approximately $105 million. Within one to two years Social Housing will have to start borrowing in order to pay the interest. The total interest due adds up to approximately $45 million. This is a shortfall of $150 million over the first ten years. Social Housing will need to pay back the $150 million borrowed but has insufficient revenue to do this. It should also be saving for the 'retirement' or replacement of the housing stock at approximately 90 years of age, as required under the local Government Act. Most of the housing stock was built in the 1960's and 1970's and is due for replacement in approximately 50 years. The income generated from minimal rent increases will not achieve this.	No initial impact on rates unless future Council's decide to provide rates funded assistance to reduce the level of borrowing	Given the estimated funding gap the Social Housing activity is not sustainable without some form of intervention.	The funding gap increases more than expected. Council retains the risks of ownership and operations of the social housing activity.	**Not Recommended** Cannot access the additional Government assistance available to a CHP. Not financially viable for Council to continue to provide Social Housing

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
11	Sell and Lease back 17 under-capitalised sites	Sell 17 under-capitalised properties on the market, or to a developer for $45 million (2014 Rateable Value less unfunded EQ works). Social Housing lease back the units for social housing for the next 15 years at a market rent (Social Housing have to subsidise these rents). Site specific legal and valuation advice will be required to progress this option. The new owner / developer may change the use at the end of the lease. Beyond year 15 the social housing stock is reduced by 479 units. However due to the sale of the 17 sites the social housing portfolio does not need to borrow significant funds over the next 15 years as it funds the imminent shortfall in funding and avoids substantial expenditure on interest payments. To become financially sustainable the social housing portfolio would require a rent increase of 41.5%. However, this option does not present that scenario.	No initial impact on rates unless future Council's decide to provide rates funded assistance.	The estimated funding gap is delayed and beyond 15 years the Social Housing activity is not sustainable without some form of intervention.	The funding gap increases or occurs prior to the 15 years forecast. That the lease payments are set at a level that exceeds the Council's rental income. Council retains the risks of ownership and operation of the social housing activity.	**Not Recommended** Cannot access the additional Government assistance available to a CHP. Not financially viable beyond 15 years.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
12	CCC retain and operate Social Housing buildings and land however no longer fund for replacement	Current rents are on average 49% of the market rate, barely cover operating costs for the social housing service. Over the next four years significant expenditure is required to strengthen buildings and cover unfunded earthquake repairs. The Government's IRRS cannot be accessed. Additional expenditure is required over the next ten years to upgrade housing stock so it can meet an acceptable standard that will last for another 40 to 50 years. Total expenditure over the next ten years is estimated to be $395 million.The funding shortfall over the next ten years is approximately $105 million. Within one to two years Social Housing will have to start borrowing in order to pay the interest. The total interest due adds up to approximately $45 million. This is a shortfall of $150 million over the first ten years. Social Housing will need to pay back the $150 million borrowed but has insufficient revenue to do this. It should also be saving for the 'retirement' or replacement of the housing stock at approximately 90 years of age, as required under the local Government Act. Most of the housing stock was built in the 1960's and 1970's and is due for replacement in approximately 50 years. Unlike option 10, this scenario proposes not to fund the 'retirement' or replacement of the housing stock and CCC would over time exit social housing. To close this funding gap requires a rent increase of 30.3%	No initial impact on rates unless future Council's decide to provide rates funded assistance.	The need for Social Housing to borrow to fund the $395 million shortfall will increase the Council's overall total borrowing. The sale of the land when it becomes surplus will allow the proceeds to be applied to other uses including the repayment of debt.	The shortfall is greater than $395 million. The sale of the surplus land is at the end of life which will happen progressively over the next 90 years and is subject to movements in market price and demand for land. Council retains the risks of ownership and operation of the social housing activity.	**Not recommended** Cannot access the additional Government assistance available to a CHP. Increases the Council's total debt.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
13	Rent increase 35% and Sell 17 under-capitalised sites to a Community Housing Provider	CCC sells 17 under-capitalised properties to a CHP at a price that accounts for unfunded earthquake works and is affordable for the CHP to be viable. This equates to approximately $31 million. The CHP can access IRRS for the 479 units allowing it to maintain / re-develop the sites. The remaining portfolio cannot access the Government's IRRS. Due to the sale of the 17 sites the social housing portfolio does not need to borrow as much and avoids substantial expenditure on interest payments. It still needs to cover the operating and lifecycle costs for the rest of the portfolio including savings required for the 'retirement' or replacement of the housing stock. A rent increase of 35% is required to become financially sustainable.	No initial impact on rates unless future Council's decide to provide rates funded assistance.	While Social Housing is financially sustainable in the long term there remains a need for Social Housing to borrow to fund the funding gap which will increase the Council's overall total borrowing.	The funding gap is greater than expected and requires increased borrowing. Council retains the risks of ownership and operation of the social housing activity.	**Not Recommended** Cannot access the additional Government assistance available to a CHP for the remaining portfolio. Increases Council's total debt.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
14	Affordable Housing and Social Housing portfolio	This option stops providing 780 social housing units (who pay 50% of market rents) and uses them instead for affordable rental housing. This equates to 30% of the portfolio. This utilises the higher income from Affordable Housing (based on a discounted rent at 80% of market) to cross subsidise Social Housing. This is similar to historical public housing model used in the 1980's. The portfolio is still not viable under this scenario as new revenue is still insufficient to cover debt servicing of the expenditure required over the next 10 years and the need to fund replacement of the aging housing stock in the future. If the option was extended to show the required rent increase for the balance of the social housing portfolio a rent increase of 22.5% would be required.	No initial impact on rates unless future Council's decide to provide rates funded assistance.	Given the estimated funding gap the Social Housing / Affordable Housing activity is not sustainable without some form of intervention.	The funding gap increases more than expected. Council enters into a new activity "Affordable Housing" which it will be required to consult on. Council retains the risks of ownership and operations of the social housing activity.	**Not recommended** Cannot access the additional Government assistance available to a CHP. Not financially viable for Council to continue to provide Social Housing / Affordable Housing

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
15	Sell Social Housing buildings and land and build new stock	The existing social housing land and buildings are sold on the open market at $314 M (Rateable Value less unfunded strengthening & EQ repairs and repayment of Governments loan for Whakahoa Village). Site specific legal and valuation advice will be required to progress this option. The proceeds of the sale are reinvested into new social housing developments. Acquisition of land and new buildings are estimated to cost $672 Million ($240,000 / unit). 2601 new social housing units are available in the market with a life span of approximately 90 years. The portfolio is viable at a rental rate equivalent to 83% of market. This allows for operating and lifecycle costs along with the replacement of the portfolio at the end of 90 years. This cash flow is dominated by the need for a mortgage extending over a 70 year period – a key risk to this option. Modelling has not yet extended to the treatment of the initial development phase and it is likely the financial position will be worse if account is made for a transition period such as a lease back arrangement (to continue providing the social housing service during the construction phase.	No initial impact on rates unless future Council's decide to provide rates funded assistance.	Potential reduction in Council's total income as units are sold and replaced which could reduce the Council's maximum borrowing limit. An additional $358 million of borrowing will be required to fund the difference between the sales price and acquisition cost. This borrowing is currently not been included in the Council's financial strategy.	The Council sells the existing portfolio for less than $314 million. The acquisition cost increases beyond $672 million. Council retains the risks of ownership and operations of the social housing activity.	**Not Recommended** Cannot access the additional Government assistance available to a CHP. Significant additional borrowing is required by Council

Option		Modelling Information	Financial Analysis: Impact on Rates	Financial Analysis: Impact on Council	Risks	Recommendation
16	Buy new Social Housing stock – Invest	This option is in effect an attempt to trade out of financial predicament by obtaining a better return on investment from developing new properties, to offset the loss making properties. The acquisition cost of land & buildings at $240,000 with no capital injection (from a sale) results in a negative cash flow. The land & building cost per unit of $240,000 results in an interest bill alone of $323 per week ($16,800/ year). Existing market rents for an average 1 bedroom unit are $254 (our average one bedroom rents are $123 / week). The portfolio is still not viable and the more that units are developed the worse the portfolio's financial viability becomes.	No initial impact on rates unless future Council's decide to provide rates funded assistance to reduce the level of borrowing	Given the estimated funding gap the Social Housing activity is not sustainable without some form of intervention.	The funding gap increases more than expected. Council retains the risks of ownership and operations of the social housing activity.	**Not recommended** Cannot access the additional Government assistance available to a CHP. Not financially viable for Council to continue to provide Social Housing
17	Rent increase to market level - Exit Social Housing	CCC in effect exits the social housing service by increase rents to a market level. At market rents there is sufficient revenue to cover the expenditure over the next decade savings required to fund replacement of buildings at the end of their economic life. In addition to the above the portfolio generates a return that could be returned to CCC and ratepayers as a dividend. The profit is $6.8 Million per year is the difference between the market rent ($35.1 million) and the base rent required to make the portfolio sustainable over the long term ($28.3 million) i.e. the 46% rent increase option. Social housing is reduced by 2601 units.	The current Council approved policy is for Social Housing to be rates neutral. However, by moving rents to market levels Council are exiting Social Housing which with a change in policy would allow the surplus to be used to help fund other activities. • Other rebuild projects reducing borrowing by $6.8 million per annum. The Council's projected maximum borrowing would reduce from $1.9 billion in 2022 to $1.88 billion in 2021. • The annual surplus could be used to reduce operating costs which would reduce rates by approximately 2.0-1.75% per annum.	With a change in current policy, any surplus could be utilised for non-housing activities such as: • Reducing borrowing by $6.8 million per annum. The Council's projected maximum borrowing would reduce to $1.88 billion in 2021. • The annual surplus could used to reduce operating costs which would reduce rates by approximately 2.0-1.75% per annum.	Change in Council activity which may impact operational risks. Council retains the risks of ownership and operations of the social housing activity.	**Not recommended** Financially attractive option but requires the Council to exit its involvement in Social Housing.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
18	Rent increase 32% and sell 17 under-capitalised sites	Sell 17 under-capitalised properties on the market, or to a developer for $45 million (2014 Rateable Value less unfunded EQ works). Site specific legal and valuation advice will be required to progress this option. Social housing stock is reduced by 479 units. The new owner / developer may change the use of the property. However, due to the sale of the 17 sites the social housing portfolio does not need to borrow significantly over the next 15 years and as a result avoids substantial expenditure on interest payments. To become financially sustainable the social housing portfolio would require a rent increase of 32%.	No initial impact on rates unless future Council's decide to provide rates funded assistance.	No impact on Council on basis that social housing remained self funding.	The funding gap is greater than expected and requires increased borrowing such that it is not financially sustainable. Council retains the risks of ownership and operation of the social housing activity.	**Not Recommended** Cannot access the additional Government assistance available to a CHP for the remaining portfolio.

Option		Modelling Information	Financial Analysis			
			Impact on Rates	Impact on Council	Risks	Recommendation
19	Demolish all Social Housing buildings and land and re-develop through a build, own, operate and transfer scheme; or a build, own, and transfer scheme	Social Housing demolishes the existing housing stock, retains the land and builds 2601 better performing assets via a BOOT scheme. Essentially CCC would operate a lease to purchase scheme over an agreed period of time. Many variables exist with BOOT schemes and further modelling is required for this option. The main benefit of entering a BOOT is that short to medium term borrowing requirements are offset with an operational lease. However, the terms of such a lease are likely to be for an extended period of time and would need to cover the cost of financing the new build (on the assumption that CCC retain the land ownership). It would also need to allow for the cost of operating the service for a period of time. In addition to the actual costs a third party would reasonably be expected to require a profit margin (or an allowance for risk). Council still needs to set aside funds for long term lifecycle costs and replacement of the portfolio, unless it states it is discontinuing social housing in the future. At an assumed development cost of $190,000 per unit (with no capital injection from a sale) the cash flow is negative. The interest bill alone amounts to $256 / week ($13,300/ year) for an average 1 bedroom unit (market rents are $254 and our average rents are $124 / week). No funds are available for debt repayment, operating costs or long term maintenance. The new portfolio is not viable. The more units developed the worse the portfolio financials become.	No initial impact on rates unless future Council's decide to provide rates funded assistance to reduce the ongoing deficit	Given the estimated funding gap the Social Housing activity is not sustainable without some form of intervention.	The funding gap increases more than expected. Council retains the risks of ownership and operations of the social housing activity.	**Not recommended** Cannot access the additional Government assistance available to a CHP. Not financially viable for Council to continue to provide Social Housing

Option		Modelling Information	Financial Analysis		Risks	Recommendation
			Impact on Rates	Impact on Council		
20	Sell all Social Housing buildings and land and exit provision of Social Housing	Sell social housing portfolio in accordance with relevant legislation, exiting social housing provision. Social housing is reduced by 2601 units. Site specific legal and valuation advice will be required to progress this option and it is likely to require several years to work through sale process (buy back / bequeaths etc). The sale price has been assumed at $314 million. This is based on the 2013 Rateable Value less unfunded EQ works (and repayment of approximately $2.8 million - Whakahoa pay back to Govt who paid 50% of that development). No portfolio modelling is required for this option.	Exiting Social Housing would allow Council to change its current policy, the sales proceeds could be applied to: • Other rebuild projects this would reduce borrowing by $314 million and interest costs by approximately $18 million per annum. This would consequently reduce the Council's projected maximum borrowing from $1.9 billion in 2022 to $1.5 billion in 2019.	With a change in current policy, these funds could be applied to other rebuild projects. • Applying to other rebuild projects reduces the maximum Council borrowing from $1.9 billion in 20122 to $1.5 billion in 2019.	Any sale must preserve the insurance position. Market value of the land buildings is less than $314 million given the structure and condition of the buildings.	**Not Recommended** Financially attractive option but requires the Council to exit its involvement in Social Housing

Attachment C

Potential Structures for Christchurch City Council to Provide Social Housing

Note: It is anticipated that many structures could potentially be utilised in conjunction with one or more other structures.

Potential Structures for Provision of Social Housing by Council					
Provision of Land					
Proposed struture	**Description**	**Factors to be taken into account**	**Critical actions**	**Advantages**	**Disadvantages**
Use of existing Council Social Housing Portfolio Land and buildings	• Use existing social housing portfolio land and building; for the - Redevelopment of part of the Council's portfolio of surplus social housing land for new social housing; and/or - Upgrade of existing social housing properties to better suit modern requirements eg regarding unit size and layout and possible provision for more intensive land use.	• This could take on a number of forms of intervention based on the structures outlined below. • Public Works Act (PWA) implications for specific parcels of land.	• Due diligence exercise on land - How acquired (relevant to PWA issues). - Other road blocks to transfer.	• No time needed to negotiate acquisition from a third party if land already available.	• Possible PWA offer back implications may need to be addressed depending on ownership structure and acquisition history of land.

Potential Structures for Provision of Social Housing by Council					
Provision of Land					
Proposed struture	**Description**	**Factors to be taken into account**	**Critical actions**	**Advantages**	**Disadvantages**
Use of other surplus Council land	Use of other Council owned land (held for uses other than social housing).	• This could take on a number of forms of intervention based on the structures outlined below. • Possible issues associated with the tenure of land and use of Council owned land for social housing. • PWA implications for specific parcels of land. • Section 52 PWA – process to follow to undertake change of purpose for land held for a public work. • Other possible legislative issues eg compliance with the Reserves Act if it were proposed to use reserve land – may need to revoke (or reclassify) reserve.	• Due diligence exercise on land - How acquired (relevant to PWA issues). - Other title issues that may be road blocks to transfer.	• No time needed to negotiate acquisition from a third party if Council land already available.	• Possible PWA offer back implications may need to be addressed depending on ownership structure and acquisition history of land. • May be other (better) uses for the land.

Potential Structures for Provision of Social Housing by Council					
Provision of Land					
Proposed struture	**Description**	**Factors to be taken into account**	**Critical actions**	**Advantages**	**Disadvantages**
Purchase of land from private owner by Council	Council acquires land from private owner and uses it for development of new social housing.		• Identify any suitable land that may already be available/on the market.	• To the extent that "new" land is acquired it might be possible to negotiate a waiver of offer back rights (to the extent they might apply) to minimise on-going risk).	• May take time to identify land and negotiate its acquisition.
Use of Crown owned land	Crown provides land for social housing project.	• Similar factors to use of Council owned land for PWA compliance but Crown not exempt from offer back obligation for sale to a CCO. • This option (if available) would need to be combined with other options.	• Identify any suitable land that may already be available eg CERA land or other land-banked land.	• Possibly reduces time needed for negotiations for acquiring land.	• Possible offer back issue for Crown.
Lease	Lease existing social housing portfolio to community housing provider to continue to provide social housing.	• Would need to comply with Housing Accords and Special Housing Areas Act (HASHA Act). • Need to determine the financial basis of a lease. • This could encompass a ground lease under which the buildings and improvements were sold or gifted to a CHP, or to a lease of the buildings and improvements, with ownership remaining with the Council	• Identifying suitable CHP for lease in timeframe available. • Identifying any suitable land.	• Council able to retain a level of long term control over the portfolio via lease terms.	• Need to identify a suitable community housing provider prepared to take a long term lease.

Potential Structures for Provision of Social Housing by Council

Provision of Land

Proposed struture	Description	Factors to be taken into account	Critical actions	Advantages	Disadvantages
Transfer	Transfer full ownership of Council's existing social housing portfolio to a new or existing community housing provider to continue to provide social housing, or lease to a CHP with the freehold interest in the land either retained or sold.	• LGA compliance – disposal of strategic asset. • PWA implications for specific parcels of land.	• Identifying suitable CHP for transfer in timeframe available.	• No long term management or administration required by Council once portfolio sold.	• Loss of future control of the portfolio – but potentially could be managed via sale process e.g. via restrictive covenant or encumbrance on title or other methods.
Status quo	Continued management/repair of existing portfolio of social housing by Council.	• Inability to obtain the income related rent subsidies unless rules changed. • Insurance issues relating to earthquake damage. • Funding upgrading and repairs.	• Need to obtain certainty regarding insurance position.	• Less commitment by Council to further funding.	• Would not address the need for further social housing. • Tenants cannot obtain income related rent subsidies. • Unlikely to meet commitments in the proposed housing accord.

Ownership/Management Structures					
Proposed option	**Description**	**Factors to be taken into account**	**Critical actions**	**Advantages**	**Disadvantages**
Public/Private Partnership	Council, Crown and Private Sector PPP to carry out social housing.	• Compliance with current legislation. • Will need to comply with LGA requirements for establishing a CCO, if the proposal falls within the relevant definition. • May trigger PWA and other sale restriction issues eg. relating to social housing being a strategic asset • Compliance with HASHA Act.	• Identifying potential partners in timeframe available. • Assuming that a potential partner can be identified, identifying a workable capital control structure.	• Provision of capital funding. • Flexible.	• Identifying potential partners in timeframe available. • Possible tax implications. • Complications or conflicts of dealing with a commercial partner whose main aim is to achieve a profit.
Joint venture with Crown	Joint venture between Crown and Council to carry out social housing.	• Compliance with current legislation. • Would need to comply with LGA requirements for establishing a CCO if the proposal falls within the relevant definition. • May trigger PWA and other sale restriction issues (e.g. relating to social housing being a strategic asset). • Compliance with HASHA Act.	• Need for discussions with the Crown to ascertain whether the Crown is prepared to become a funder/have another interest in the new entity.	• Less risk than joint venture with private sector. • Enhanced ability to meet objectives of proposed housing accord.	• Unclear whether the Crown wants a "shareholder" role and wants to contribute any funding to a new joint venture.
Council Business Unit	Council retains full control of social housing with new development, management and administration carried out by a Council Business Unit.	• Either use existing Council land or acquire new land and retain ownership with development and administration carried out by a Council Business Unit. • Full management, control and administration responsibility would remain with the Council with associated administrative cost and burden.		• Little or no set up requirements. • Could become CCO later. • Maintains most flexibility to give effect to a Housing Accord.	• Funding limitations – Council has only limited ability to fund further housing units to address the identified problem alone and may not be able to attract additional investment if operating as part of Council. • All responsibility and risk remains with Council. • Less transparent governance if part of Council. • No access to rental supplement.

Ownership/Management Structures

Proposed option	Description	Factors to be taken into account	Critical actions	Advantages	Disadvantages
Form a special purpose company or other incorporated entity as a CCO	Council sets up a CCO to build and develop social housing.	• Either use existing Council land or acquire new land and transfer to a CCO set up to develop social housing. • Would need to comply with LGA requirements if establishing a CCO. • May trigger PWA and other sale restriction issues eg. relating to social housing being a strategic asset • No rental supplements available mean that the Council continues to incur the cost of the rental subsidy. • Transfer of Council owned land to a CCO not subject to section 40 PWA, but any subsequent transfer by the CCO would be subject to section 40 (schedule 9, clause 2, Local Government Act 2002 (LGA). • Funding options will need to be addressed.	• Identifying ownership structure and shareholding.	• Separate corporate entity. • Transparent governance . • Set up under Companies Act with limited liability etc. • Ability to issue share capital and different classes of shares.	• Securing potential partners in timeframe available if capitalisation is required beyond existing Council resources. • Possible tax implications. • No rental supplement available
Form a charitable trust or other incorporated entity as a CO	Council sets up a charitable trust or other entity to develop social housing as a CO so that it qualifies as a registered community housing provider.	• Must comply with Charities Act 2005 and/or other relevant legislation. • Need to determine whether there is any significance on limitations on distributing surplus funds from charities. • Need to consider tax implications? • May not be a suitable vehicle to use for commercial arrangements in conjunction with the private sector. • Land assets would be vested in trustee names.	• Determining the structure of the new entity, including the involvement of other interested entities.	• Separate corporate entity. • Income not taxable if not carried out for the purpose of making a profit. • Potentially easier to design a structure that does not involve capital injections from another entity. • Would qualify as a registered community housing provider	• May need to be exclusively for charitable purposes. • Potential for trustees to be liable. • Trustees would be led by requirements of Trust Deed and Charities Act rather than Council's interests. • Any surplus may need to be distributed for further charitable purposes. • Unlikely to be favoured in any arrangements with commercial entities.

Ownership/Management Structures

Proposed option	Description	Factors to be taken into account	Critical actions	Advantages	Disadvantages
Housing Accord with Crown	Enter into a housing accord under the Housing Accords and Special Housing Areas Act 2013 (HASHA Act) with Minister of Housing/MBIE.	• Could use Council owned land or new land could be acquired for project (see further discussion on issues associated with these options below). • Need to identify any HASHA Act compliance issues. • Probably cannot be considered in isolation from other options as it is likely to require other mechanisms. • May duplicate in part the Land Use Recovery Plan (LURP).	• Draft Housing Accord needs to be finalised in the same timing as a SOP.	• Gives greater clarity to actions in dealing with social housing issues.	• Unlikely to be sufficient in itself to respond to the current problems faced in Christchurch in relation to new social housing.
Council become a CHP	Council become a 100% owned Community Housing Provider.	• Likely not to be an option as it is under the current Regulations local authorities will be excluded from eligibility.	• Address possibility of CCC being given a specific exemption with Crown.	N/A	N/A
Creation of special housing areas under HASHA Act and/or use of LURP	Use HASHA Act and or LURP to streamline resource consent and plan change approvals or otherwise fast-track regulatory activities.	• May not be sufficient as an option in itself, but it may assist in conjunction with other interventions.		• Gives greater clarity to actions in dealing with social housing issues.	• Unlikely to be sufficient in itself to respond to the current problems faced in Christchurch in relation to new social housing.

Regulatory Initiatives

Proposed option	Description	Factors to be taken into account	Critical actions	Advantages	Disadvantages
Implement LURP	The LURP provides the means to reduce housing prices and greater intensification.	• Potential overlap with Housing Accord. • Would need to implement a comprehensive development mechanism under the LURP.	• Need to make urgent progress on implementing.	• Could be used in conjunction with other options.	• Assumes that the private sector will take up the opportunities presented.

General Legal Factors

Legislation	Factors to be taken into account for all options
Local Government Act 2002	• Power to provide or otherwise be involved in social housing in the manner or manners proposed. • Sections 10-12 role and purpose, and any specific power to undertake a certain activity. • Cost-effectiveness for households and businesses. • Requirement to act in accordance with the principles in section 14. • In particular: - must undertake commercial transactions in accordance with sound business practices - must exercise prudent stewardship and efficient and effective use of its resources. • Section 101(1) – favoured options must be financially prudent • Need to assess significance of decisions in terms of the Council's Significance Policy. • Strategic assets – including social housing portfolio • Financial implications • Consultation requirements • Impact on the City • Views and preferences of persons likely to be affected by, or to have an interest in, the matter
Common law obligations	• Compliance with fiduciary duties to ratepayers and residents • Need to balance interests of different groups
Public Works Act 1981	• If proposing to use Council-owned land for social housing but likely to involve a change of ownership: - Need to determine acquisition history of specific land and any PWA obligations that might apply. • If Council or a CCO proposes to acquire privately owned land for social housing: - Need to determine the power to acquire the land, and the funding.

Issues Associated with Different Forms of Land Tenure For Social Housing Where Council Land is Used For Provision of New Social Housing

Sale/Transfer

Proposed option	Description	Factors to be taken into account
Sale of fee simple estate by Council	Sale of the land for current market value and Crown or third party or CHP manages a social housing project on its own	• The identity of the purchaser (Crown or third party developer) may impact on the structure of arrangements. • Power to sell will need to be established.
Gift of fee simple estate by Council for social housing	Transfer of the land for nominal or no consideration and Crown or CHP manages project on its own	• Will need to determine whether such an option is financially prudent and in accordance with statutory and common law fiduciary obligations?
Sale with Deferred Payment	Transfer of the land with payment deferred until a later date or dates	• Will need to determine whether such an option is financially prudent and in accordance with statutory and common law fiduciary obligations? • Consider ability to protect Council interests pending payment.
Exchange	Sale of land to a third party (Crown or developer) with consideration taking the form of completed housing units being returned to form part of Council's social housing portfolio	• Will need to determine whether such an option is financially prudent and in accordance with statutory and common law fiduciary obligations?
Development Lease/Licence	Short term development lease or licence with option to acquire freehold interest upon completion of development	• Will need to determine whether such an option is financially prudent and in accordance with statutory and common law fiduciary obligations?

Lease

Proposed option	Description	Factors to be taken into account
Ground Lease	Grant a registered ground lease to a CHP	• Determine statutory authority for lease • Terms of lease would need to be worked out and would need to address the ongoing requirement for the land to be used for social housing for people most in need of social housing assistance. • Rent and rent review process would need to be assessed • Management and administration obligations would need to be considered

Attachment D

Summary of Options

The table below outlines the 20 options (22 including two sub-options) considered and assesses whether they support the Council:

- maintaining an involvement for the short term (up to two years);
- maintaining a long-term (beyond 45 years) involvement; this involvement could be as simple as a landlord or as complex as full ownership and operation of Social Housing; or
- ending its ongoing involvement in social housing.

Option		Short-term involvement	Long-term involvement	No future involvement
1	Lease land and buildings to a CHP (Council's preferred option)		X	
2	Sell social housing buildings to a CHP and Council keeps the land		X	
2a	Sell buildings to a CHP at a price that allows the CHP to be financially viable		X	
3	Sell social housing building and land to a CHP			X
3a	Sell land and buildings to a CHP at a price that allows the CHP to be financially viable			X
4	Central Government capital injection to Social Housing		X	
5	Gift Social Housing buildings to a CHP and Council retains ownership of the land		X	
6	Sell Social Housing land & buildings – with a CHP lease in place	X		
7	Rates injection to Social Housing		X	
8	Gift Social Housing buildings and land to a CHP			X
9	Rent increase 46%		X	
11	Sell and Lease back 17 under-capitalised sites		X	
12	Christchurch City Council retains and operates Social Housing buildings and land however no longer fund for replacement		X	
13	Rent increase 35%, and Sell 17 under-capitalised sites to a CHP		X	
14	Affordable Housing and Social Housing portfolio		X	
15	Sell Social Housing buildings and land and build new stock		X	
16	Buy new Social Housing stock – Invest		X	
17	Rent increase to market level – Exit Social Housing		X	
18	Rent increase 32%, and sell 17 under-capitalised sites		X	
19	Demolish all Social Housing buildings and land and re-develop through a build, own, operate and transfer scheme; or a build, own, and transfer scheme		X	
20	Sell all Social Housing buildings and land and exit provision of Social Housing			X

Option 10 - Do nothing and continue with minimal rent increases - has not been included in the table above, as this option is not a viable option and not sustainable in the long term.

Summary of Social Housing Options – Financial Sustainability

Financial modelling methodology

The financial modelling tool used by Council is called the Cost of Consumption. It was developed by the Council's Property Asset Management team in 2002 for City Housing, to help establish a rental level that was as low as possible, while still providing enough funds to cover the current and forecast expenditure. The model uses 'Life Cycle Costing / Analysis' [1] (LCC / LCA), and in its simplest form is a budget that considers current and future expenditure and converts that into an annual cost in today's dollars. This is then compared with the income the 'household' has. If there is a shortfall, either the level of service provided by the social housing provider has to be reduced or the income increased.

The model takes into consideration development capital, component renewals and replacement (capital), reactive repairs and planned maintenance (both annual and periodic), management and overheads, as well as other operating costs. The earthquake-related expenditure, consequential compliance upgrades and strengthening works are all modelled, while allowing revenue from insurance proceeds to offset these costs to some extent.

The model takes into account the need for replacement of the asset at the end of its economic life [2]. It does this by identifying the sinking fund required to enable replacement. This fund operates much like a KiwiSaver fund to retire a building [3]. Under Schedule 10 of the Local Government Act, councils are required to identify all future asset expenditure and how their replacement is to be funded [4].

A large portion of the data and information used in the model comes from the Council's asset management information system (AMiS). However, by necessity the model also relies on a number of external parameters and assumptions. The model allows for inflation but then applies a discount to the cash-flow to derive an annualised cost in today's dollar values. This addresses the 'time value of money' considerations (i.e. a dollar in 10 years' time from now is worth less, in buying power, than it is today).

Social Housing options – Financial sustainability compared

The graphic shown on the following page shows the 'end of year' bank balances for of each of the options over the duration of the modelling. This shows either a negative balance from cumulative borrowing (to fund any deficits between revenue and expenditure), or funds being set aside in profitable years to cover future identified asset expenditure. In the case of a continuation of Council direct ownership (City Housing), this extends to a 90-year timeframe. For the options where a Community Housing Provider operates the service under a lease, viability (for the CHP) is shown over 45-year period.

To provide affordable and appropriate housing under the current ownership arrangements, the model is either set to break even over 90 years (to enable the lowest rent possible while still remaining financial sustainability of the long term), or the deficit / surplus at the end of the 90 years. In the situation where the assets or operation of the social housing service are transferred to the Community Housing Provider (under a lease), the model assumes that a market rent is available (a mix of tenant and government payments). Again, the model's settings are either for a breakeven status or a deficit / surplus (but at year 45).

1 Literature Review EU May 2007 – Lifecycle costing (LCA) as a contribution to sustainable construction.
The use of LCA within the construction and development communities is relatively immature. Studies in Europe show that government and municipal projects have led the 'thought' leadership in this - developers and property investment entities tend to focus on short-term returns.

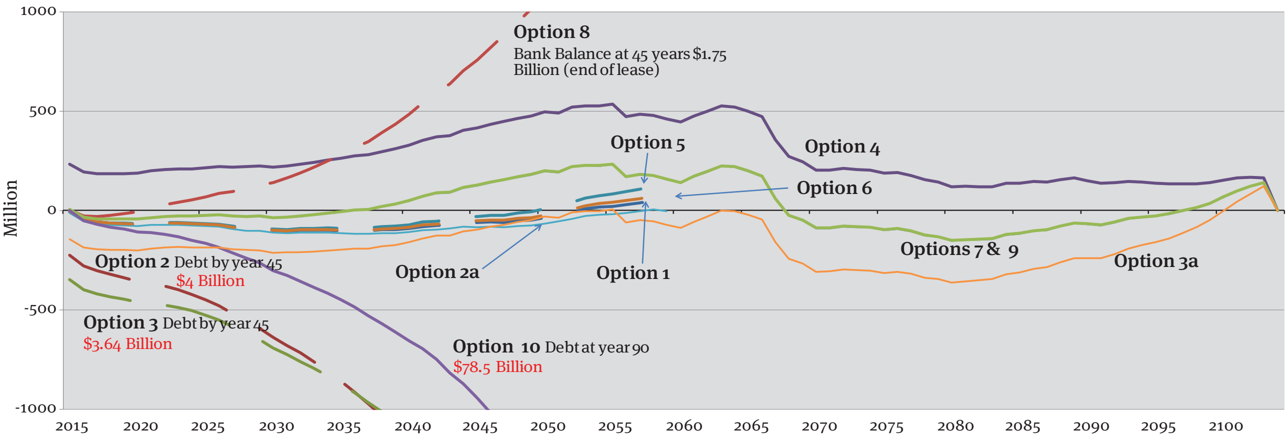
2 Key drivers for building demolition are poor maintenance and renewal planning, functional obsolescence and rising land values, forcing alternate 'higher and better uses'. The Building Act requires buildings to last a minimum of 50 years, although this does not guarantee they will. In New Zealand there is documented evidence that the average lifespan of housing is approximately 90 years of age.

3 Aligns with the rationale behind depreciation charges (the gradual degradation or consumption of the asset) but, with a forward cash-flow model, revenue from interest earned acts as a sinking-fund hedge against inflation and has the potential to generate a growing fund in its own right (from compounding interest).

4 The requirement to fund asset replacement can be set aside by the Council only if it consults with the public and clearly states the asset/activity will come to an end at a given date.

The following graph shows the annual balance of savings or debt (based on the respective cash-flows) for the first 10 options.

Social Housing Options
Financial Sustainability Comparative Analysis (annual savings/debt position)



The status quo option (10) is not financially viable. Neither is option 2 or 3, unless the entity brings or receives significant injections of capital. Options 4, 7 and 9 are financially sustainable but come with political and social implications. The Council retains ownership and governance over the future of the service, however this also involves more Council accountability and management, along with direct exposure to risks.

Option 8 is viable for the new entity and it begins to make a significant profit within 10 years. This comes at the expense of the Council's balance sheet.

Options 1, 2A and 5 are viable for the Community Housing Provider (CHP), with Council earning sufficient revenue to replace the housing portfolio at the end of the lease, if it chooses to.

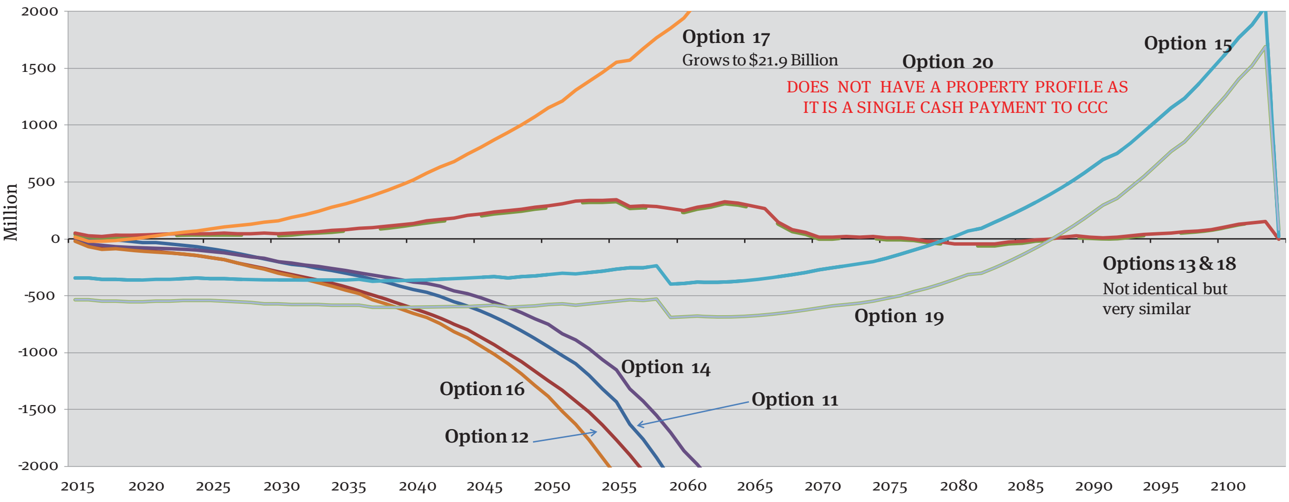
The Council receives more revenue than is required to cover the replacement of the housing stock and has choices over how to use these funds. In both of these options, the Council retains a long-term partnering relationship with the CHP by virtue of either gifting of the buildings or a rent set at a relatively low return on investment.

Option 5 relies on an independent market-based ground lease, with the Council having no direct influence or responsibility for the buildings over the next 45 years. By comparison, option 1 involves a less prescriptive means of adjusting rents, as the initial rent has been set on the basis of a 'viable' rent for the CHP. The Council owns the buildings and has more influence on the service. However, it does involve more Council management and residual risk and accountability.

Option 6 provides a one-off payment to the Council that could be used for a variety of purposes. The new owner is unlikely to re-invest in social housing at the end of the 45-year lease. By comparison, Option 3a is viable for a CHP to continue providing social housing and the Council receives a higher sale price.

This following graph shows the annual balance of savings or debt (based on the respective cash-flows) for the options 11 to 20.

Social Housing Options
Financial Sustainability Comparative Analysis (annual savings/debt position)



Options 11,12,14 and 16 are not financially viable. In all cases, the Council risks either failure of the social housing service, the need to subsidise the service from rates in the future, or gradually sell off the properties and exit social housing.

In Options 17 and 20, the Council stops providing social housing. This either generates an annual return of $6.8 million per year or, if sold, saves the Council approximately $18 million a year in debt servicing for non-housing projects.

For options 13 and 18 (rent increases of 35% and 32%), the Council sells the under-capitalised sites (17), either to a CHP (retaining social housing) or on the open market. The sale prices vary slightly, however the revenue is not enough to off-set the need for a rent increase on the remainder of the portfolio (35% for option 13 and 32% for option 18).

In option 15, the Council sells the existing portfolio for $314 million and develops new social housing stock (at a cost for land and buildings of $672 million). With operating and lifecycle costs (along with finance and saving for replacement in 90 years), the service is viable at a rental of approximately 83% of market rents. Issues exist with selling the land, obtaining finance over a 70-year period and dealing with the existing tenants during construction. In Option 19, all existing stock is demolished and redeveloped in partnership with the private sector. The graph shows this as viable, but rents significantly exceed the market rate. Unless the Council provides a subsidy to fund this gap, Option 19 is not viable.

Background to existing Social Housing portfolio

Most of the Council's social housing stock was built in the 1960s and 1970s and needs refurbishment to keep the units fit-for-purpose for another 40 to 50 years. With the average lifespan being approximately 90 years, a very large spike of replacements occurs between 2055 to 2070. With over 350 housing units needing to be replaced due to the earthquakes, these will then need replacing around the year 2100. Over the next 10 years the cash flow is dominated by the earthquake and 'mid-life' expenditure, and the need to replace the housing stock when it becomes uneconomic to repair or retain.

Long-term financial sustainability was recognised as being critical to protecting the Council's ability to continue to provide social housing that was affordable for the most vulnerable residents in Christchurch. The Cost of Consumption model has been calculated and applied to rent setting in 2003 and 2008/9. In other years, a mix of indexing and stepped rent increases has been applied. The indexing approach has failed to keep pace with actual inflationary pressures (for example, the housing boom from 2003 to 2007). Rates and other non-construction-related costs have also risen faster than the indexes used for rent adjustments.

Indexing has also failed to account for changing circumstances, such as the adjustment to GST, the significant jumps in insurance premiums, earthquake-related costs such as unfunded repairs, and the need to replace lost housing stock from damage or red-zone negotiations. The scale of these changes for City Housing has, again, created a significant gap between the cost of providing the service and the revenue currently being received.

Options have been modelled to show the current position alongside a number of alternate scenarios. These include the status quo, a rent increase to tenants, and either ratepayers or the Government funding the gap.

Central Government Policy shift

In mid-2013, the Government initiated several policy changes in relation to funding for social housing, culminating in the Social Housing Reform Act. A key change was extending the rental and funding approach used with Housing New Zealand to existing or new housing trusts that provide social housing. A housing trust that meets the Government's criteria is called a Community Housing Provider (CHP).

Under this approach, tenants that meet certain criteria only pay 30% of their gross income in rent. This is called an Income-Related Rent Subsidy (IRRS). Most of the Council's tenants would be better off if they were able to access this arrangement. The Government pays directly to the CHP a top-up to bring the total rent received by the CHP to the market rent. If this top-up applied to the Council's social housing service, the annual income would be almost double the current income. However, the Government has specifically excluded all councils from this type of direct funding.

The Council's key objective around social housing has been to provide affordable and appropriate housing for particular groups of people under financial stress. It is likely that most City Housing tenants would be better off being housed by a Community Housing Provider. However, it will take a considerable time for new CHPs to build new housing stock. Options exist for the Council to partner with new CHPs, or transfer to them the current City Housing portfolio. The analysis of a number of options to bring this into effect have been modelled using the Cost of Consumption tool to consider the likely position for the Council and the CHP.

Where appropriate, the same assumptions have been applied to the various options. However, the actual tax or funding position of a CHP is likely to result in the final position being different to outcomes modelled in this assessment. Where these variables are known, they have been applied to the model. Otherwise a consistent approach has been adopted to enable a fair comparative assessment to be undertaken.

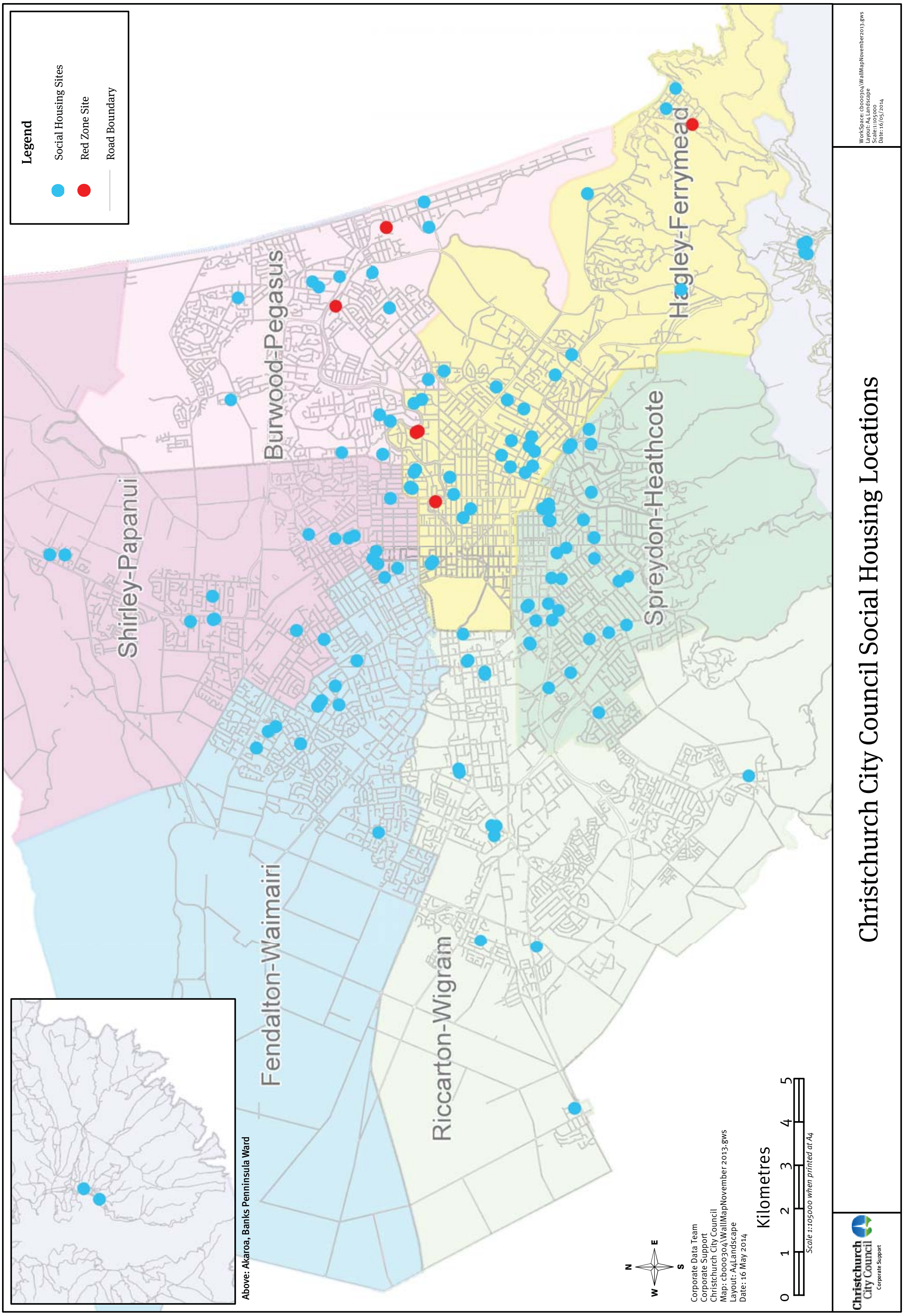
Attachment E

Details of the Council's Current Social Housing Portfolio

Be	Complex name	Street number	Street address	Suburb	Post code
118	Aberfoyle Courts	19	Aberfoyle Place	Parklands	8083
1951	Airedale Courts	16-30	Conference Street	Central City	8013
1951	Airedale Courts	51-63	Salisbury Street	Central City	8013
1951	Airedale Courts	12-18	Airedale Place	Central City	8013
1113	Allison Courts	40	Brougham Street	Addington	8024
715	Alma Place	use flat no.	Alma Place	Shirley	8061
1119	Andrews Crescent	use flat no.	Andrews Crescent.	Spreydon	8024
1144	Angus Courts	263	Colombo Street	Sydenham	8023
574	Aorangi Courts	110	Aorangi Road	Bryndwr	8053
823	Arran Courts	27	Arran Crescent	Linwood	8062
1401	Avonheath Courts	86A	Beachville Road	Redcliffs	8081
1251	Bangor Street	44	Bangor Street	City Central	8011
1140	Barnett Avenue	use flat no.	Barnett Avenue	Sydenham	8023
524	Bartlett Street	7	Bartlett Street	Riccarton	8011
630	Berwick Courts	31	Berwick Street	St Albans	8014
707	Biddick Courts	14	Claydon Place	Dallington	8061
695	Bowie Place	use flat no.	Bowie Place	Dallington	8061
3517	Boyd Cottages	2-4	Winchester Street	Lyttelton	8082
1347	Bridgewater Courts	14	Bridge Street	Sth Brighton	8061
3519	Briggs Row	29	Winchester Street	Lyttelton	8082
1072	Brougham Village	356-402	Brougham Street	Waltham	8023
1072	Brougham Village	95, 97, 131	Hastings Street	Waltham	8023
3652	Bruce Terrace Cottages	20	Bruce Terrace	Akaroa	7520
581	Bryndwr Courts	26	Lees Road	Bryndwr	8052
1293	Calbourne Courts	5	Hulverstone Drive	Wainoni	8061
1463	Captain Thomas Cts	2	Truro Street	Sumner	8081
1132	Carey Street	use flat no.	Carey Street	Somerfield	8024
1047	Cecil Courts	16	Cecil St	Waltham	8023
1047	Cecil Courts	33	Vienna St	Waltham	8023
2631	Cedar Park	90	Bristol Street	St Albans	8014
1274	Charles Gallagher Pl	551	Pages Road	Bexley	8061
1039	Charles Street	29	Charles Street	Phillipstown	8011
378	Cleland Street	8	Cleland Street	Belfast	8051
1091	Clent Lane	62	Cobham Street	Spreydon	8024
616	Coles Place	use flat no.	Coles Place	St Albans	8014
3516	Collett Court	15	Exeter Street	Lyttelton	8082
163	Concord Place	211	Mairehau Road	Burwood	8083
980	Cresselly Place	use flat no.	Cresselly Place	St Martins	8022
547	Division Street	38	Division Street	Riccarton	8041
619	Dover Courts	26	Dover Street	St Albans	8014
782	Elm Grove	use flat no.	Elm Grove	Central City	8011

1107	Feast Place	56	Poulson Street	Addington	8024
230	Fletcher Place	use flat no.	Fletcher Place	Upr Riccarton	8041
629	Forfar Courts	95	Forfar Street	St Albans	8014
1323	Fred Price Courts	76	Palmers Road	North Beach	8083
712	Gayhurst Road	154	Gayhurst Road	Dallington	8061
1453	GF Allan Courts	30	Wiggins Street	Sumner	8081
2373	Gloucester Courts	250-252	Gloucester Street	Central City	8011
1097	Glue Pl / Sparks Rd	use flat no.	Glue Place	Hoon Hay	8024
678	Gowerton Place	use flat no.	Gowerton Place	Richmond	8013
1563	Greenhurst Courts	1-2	Takaro Avenue	Sockburn	8042
1519	Guise Lane Courts	6	Guise Lane	Hoon Hay	8025
812	Guthrey Courts	72A	Olliviers Road	Linwood	8011
677	H P Smith Courts	56	Avalon Street	Richmond	8013
792	Haast Courts	43	Haast Street	Richmond	8011
792	Haast Courts	149 & 151	Stanmore Road	Richmond	8011
1126	Hadfield Courts	15	Somerfield Street	Somerfield	8024
1630	Halswell Courts	38-40	Kennedys Bush Road	Halswell	8025
1110	Harman Courts	85	Poulson Street	Addington	8024
618	Harold Denton Pl	163	Springfield Road	St Albans	8014
1093	Hennessy Place	2	Hennessy Place	Spreydon	8024
1580	Hornby Courts	2	Goulding Avenue	Hornby	8042
638	Huggins Place	use flat no.	Huggins Place	Richmond	8013
643	Innes Courts	403	Innes Road	St Albans	8052
702	Jecks Place	use flat no.	Jecks Place	Dallington	8061
571	Jennifer Street	21	Jennifer Street	Bryndwr	8053
840	Jura Courts	30	Jura Place	Linwood	8062
417	Kaumatua Place	15	Barnes Road	Redwood	8051
1265	Knightsbridge Lane	395C	Pages Road	Aranui	8061
1026	Louisson Courts	use flat no.	Louisson Place	Opawa	8023
727	Lyn Christie Place	30	Wildwood Avenue	Aranui	8061
699	Mabel Howard Place	use flat no.	Mabel Howard Place	Dallington	8061
1131	MacGibbon Place	use flat no.	MacGibbon Place	Spreydon	8024
921	MacKenzie Courts	7	MacKenzie Avenue	Linwood	8023
921	MacKenzie Courts	140	Ensors Road	Linwood	8023
571	Manor Place	22A	Manor Place	Bryndwr	8053
414	Manse Place	325	Main North Road	Redwood	8051
208	Margaret Murray Cts	193	Withells Road	Avonhead	8042
1731	Martindales Road	10	Martindales Road	Heathcote	8022
442	Marwick Place	53	Daniels Road	Redwood	8051
942	Mary McLean Place	use flat no.		Opawa	8023
1103	Maurice Carter Cts	16	Dundee Place	Spreydon	8024
855	Maurice Hayes Place	use flat no.	Maurice Hayes Place	Woolston	8023
310	Mooray Avenue	23-25	Mooray Avenue	Bishopdale	8053
1454	Nayland Street	128	Nayland Street	Sumner	8081
530	Nelson Street	7	Nelson Street	Riccarton	8011
320	Newmark / Raleigh Sts	Corner	Newmark / Raleigh St	Bishopdale	8053
1137	Norman Kirk Courts	183	Strickland Street	Sydenham	8024
1037	Osborne Street	59	Osborne Street	Linwood	8011

327	Palliser Place	26	Raleigh Street	Bishopdale	8053
818	Phillipstown Courts	263	Ferry Road	Phillipstown	8011
611	Pickering Courts	40	Bristol Street	St Albans	8014
530	Picton Avenue	7	Nelson Street	Riccarton	8011
1107	Poulson Street (Feast Place)	34-50	Poulson Street	Addington	8024
670	Poulton Courts	36	Poulton Avenue	Shirley	8013
589	Proctor Street	64	Proctor Street	Papanui	8053
320	Raleigh / Newmark Sts	Corner	Raleigh / Newmark St	Bishopdale	8053
583	Reg Adams Courts	445	Papanui Road	Papanui	8052
1320	Reg Stillwell Place	189	Palmers Road	North Beach	8083
1061	Regal Courts	146	King Street	Sydenham	8023
578	Resolution Courts	5	Resolution Place	Bryndwr	8053
917	Roimata Place	use flat no.	Roimata Place	Linwood	8023
3632	Rue Viard Cottages	8	Rue Viard	Akaroa	7520
755	Sandilands	9, 11, 17 & 19	Coulter Street	Aranui	8062
755	Sandilands	2, 3, 4, 11, 13, 15, 17, 18, 20, 22, 23, 24, 25, 29, 31	Griffiths Avenue	Aranui	8062
755	Sandilands	6, 8, 12, 14, 14a	Nicholas Drive	Aranui	8062
1344	Santa Cruz Lane	81	Blake Street	Sth Brighton	8061
1349	Shoreham Courts	20	Admirals Way	New Brighton	8061
1097	Sparks Rd / Glue Pl	use flat no.	Sparks Road	Hoon Hay	8024
853	St Johns Courts	20	St Johns Street	Woolston	8062
1672	Templeton Courts	8	Kissel Street	Templeton	8042
2156	Thames Street	26	Thames Street	St Albans	8013
1321	Thurso Place	2	Thurso Place	North Beach	8083
1048	Tommy Taylor Cts	7	Cecil Place	Waltham	8023
571	Torquay Place	28-29	Torquay Place	Bryndwr	8053
480	Torrens Road	53	Torrens Road	Hillmorton	8024
3520	Treddinick Place	58	London Street	Lyttelton	8082
376	Tyrone Street	3-5	Tyrone Street	Belfast	8051
317	Veronica Place	92	Breens Road	Bishopdale	8051
1012	Vincent Courts	60	Vincent Place	Opawa	8023
488	Walsall Street	7, 15, 19	Walsall Street	Addington	8024
1049	Waltham Courts	180	Waltham Road	Waltham	8023
1565	Weaver Courts	10	Weaver Place	Sockburn	8042
2680	Whakahoa Village	use flat no.	Gowerton Place	Richjond	8013
1112	Willard Street	use flat no.	(off Somerset Street)	Spreydon	8024
925	William Massey Cts	182	Ensors Road	Woolston	8023
1556	Wycola Courts	38-44	Manurere Street	Hei Hei	8042


Legend
Social Housing Sites
Red Zone Site
Road Boundary
Shirley-Papanui
Burwood-Pegasus
Hagley-Ferrymead
Spreydon-Heathcote
Fendalton-Waimairi
Riccarton-Wigram
Above: Akaroa, Banks Peninsula Ward
N
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Corporate Data Team
Corporate Support
Christchurch City Council
Map: cb00030\WallMapNovember2013.gws
Layout: A4Landscape
Date: 16 May 2014
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Christchurch City Council Social Housing Locations
Christchurch City Council
Corporate Support

Submission form

PLEASE READ BEFORE COMPLETING YOUR SUBMISSION

The public consultation period is from Wednesday, 21 May 2014, to 5pm Thursday, 26 June 2014.

It will help us if you clearly:

- state what issue(s)/topic(s) you want to comment on, and
- provide comments.

Please note: We are legally required to make all written or electronic submissions available to the public and to Councillors, including the name and address of the submitter. The submissions, including all contact details provided, will be available to the public. Information will be available to the public subject to the provisions of the Local Government Official Information and Meetings Act 1987. If you consider there to be compelling reasons why your contact details and/or submission should be kept confidential, you should contact the Council's Hearings Team Leader, Megan Pearce, by phoning (03) 941 8999 or 0800 800 169.

You may send us your submission:

Online:

You may enter your submission using the online form provided on the Council's website at www.ccc.govt.nz/haveyoursay

Please follow all the instructions on the Council's website for the online form.

By email:

housingsubmission@ccc.govt.nz

Please make sure your full name and address is included with your submission.

By mail (no stamp required):

Freepost 178
Social Housing Proposal
Christchurch City Council
PO Box 73016
Christchurch 8154

No anonymous submissions will be accepted

Whether you use this form or not, you must provide your full name, address and telephone number. If you are submitting on behalf of an organisation please state this and your role within that organisation.

Submissions must be received (NOT postmarked) at the Hereford Street Civic Offices no later than 5pm on Thursday, 26 June 2014. To ensure receipt, hand deliver last-minute submissions to the Civic Offices, 53 Hereford Street, Christchurch.

Your submission

If you wish, you can present your submission at a hearing. Please tick the appropriate box below. The hearings will be held during July 2014. Limited time will be allocated for speaking to your submission, including time for questions from the Councillors. The Council is asking people who make written submissions to consider joining with others if they wish to speak at public hearings. The Council will confirm the date and time of your hearing in writing, by email or by telephone call.

Please tick one

☐ I do NOT wish to discuss my submission at the hearing, and ask that this written submission be considered.

☐ **OR,** I wish to discuss the main points in my written submission at the hearings to likely be held during 2014.

I am completing this submission: ☐ For myself ☐ On behalf of a group or organisation

If you are representing a group or organisation, how many people do you represent? ☐ ☐ n/a

If your submission is supported by others, have you attached a supporting submission form? ☐ Yes ☐ No ☐ n/a

Contact name ______________________

Organisation name (if applicable) ______________________

Organisation role (if applicable) ______________________

Contact address ______________________

____

______________________ Postcode ______________________

Phone number (day) ______________________ Phone number (evening) ______________________

Email (if applicable) ______________________

Signature ______________________ Date ______________________

Submission form

The Council's objective for the provision of social housing in Christchurch is to:

- Have more flexibility in the future ownership, management and development of the Council's own social housing portfolio.
- Ensure that the portfolio has a financially viable and sustainable future.
- Maintain the capacity to provide the current number of social housing units in the Council's portfolio and to act as a catalyst for the provision of at least 1,000 additional units in the city.

The purpose of the Council's social housing objective is to better address the shortage of social housing and the implementation of the Government's Social Housing Reform Programme.

1. Overall, do you support or not support the Council's social housing objective?

☐ Support ☐ Do not support ☐ Don't know

Please comment: ______________________________

To meet the above objective, the Council is consulting on its preferred option for the ownership and governance of its social housing portfolio (land, buildings and tenancies).

2. For each of the initiatives proposed, please indicate whether you support or do not support that initiative:

A. CCC Establishes as a limited liability company in which the Council will have an interest of up to 49%, and that will be eligible for registration as a community housing provider under the provisions of the Housing Restructuring and Tenancy Matters (Community Housing Provider) Regulations 2014.

☐ Support ☐ Do not support ☐ Don't know

Comments: ______________________________

B. CCC initially subscribes for all the shares in the new company and appoints the first board of directors.

☐ Support ☐ Do not support ☐ Don't know

Comments: ______________________________

A. CCC leases to the entity an appropriate mix of social housing assets.

☐ Support ☐ Do not support ☐ Don't know

Comments:

B. CCC gifts or sells to the entity certain assets from the Council's social housing portfolio.

☐ Support ☐ Do not support ☐ Don't know

Comments:

C. CCC transfers the ownership or control of some of the Council's social housing assets either to an entity in which the Council has an interest of up to 49%, or to a third party.

☐ Support ☐ Do not support ☐ Don't know

Comments:

D. CCC enters into arrangements itself with the Council's City Housing partners and others for the redevelopment of some of the land currently used for social housing.

☐ Support ☐ Do not support ☐ Don't know

Comments:

In the process of developing its proposals, the Council has identified a number of options for the management of its social housing asset (land and buildings)

3. Please indicate your level of support for the following options:

Options		Descriptions	Strongly support	Support	Do not support	Strongly do not support	Don't know
1	Lease land and buildings to a Community Housing Provider (Council's preferred option)	The Council would lease the social housing land and buildings to a Community Housing Provider (CHP).					
2	Sell social housing buildings to a Community Housing Provider and Christchurch City Council keep the land	The buildings are sold to a Community Housing Provider and the Council receives money from the lease of the land.					
2a	Sell social housing buildings to a Community Housing Provider at a price that allows the Community Housing Provider to be financial viable	The buildings are sold to a Community Housing Provider and the Council receives money from the lease of the land.					
3	Sell social housing buildings and land to a Community Housing Provider	All social housing buildings and land are sold at market value to a Community Housing Provider.					
3a	Sell social housing buildings and land to a Community Housing Provider at a price that allows the Community Housing Provider to be financially viable	All social housing buildings and land are sold at market value to a Community Housing Provider.					
4	Central Government capital injection to social housing	Formally ask Central Government to invest in social housing buildings in order to make the Council's social housing financially sustainable (not asking for any Income-Related Rent Subsidy and the Council retains full ownership). Note: this could relate to a one-off capital injection or ongoing financial contribution.					
5	Gift social housing buildings to a Community Housing Provider and Christchurch City Council retain ownership of the land	The building is gifted to a Community Housing Provider and Christchurch City Council receives money from the lease of the land.					
6	Sell social housing land and buildings — with a Community Housing Provider lease in place.	Christchurch City Council sells the social housing complexes (land and buildings) with a Community Housing Provider lease in place for an agreed period of time.					

Options		Descriptions	Strongly support	Support	Do not support	Strongly do not support	Don’t know
7	Rates injection to social housing	Ask the Council for rates money to put into social housing to ensure the financial sustainability of social housing. Note: this could relate to a one-off capital injection or ongoing financial contribution.					
8	Gift social housing buildings and land to a Community Housing Provider	All social housing buildings and land are gifted to a Community Housing Provider.					
9	Rent increase 46%	46% rent increase would result in the social housing portfolio becoming financially sustainable and includes cost to strengthen the buildings.					
10	Do nothing and continue with minimal rent increases	Small percentage increases of rent on an annual basis. All social housing buildings and land would remain financially unsustainable. Continue with Partnerships Programme.					
11	Sell and lease back 17 under-capitalised sites	Sell under-capitalised properties on the market, or to a developer, and then the Council leases back to use as social housing for an agreed period of time. The developer could then change the use at the end of the lease.					
12	The Council retains and operates social housing buildings and land, however no longer funds for replacement	The Local Government Act 2002 requires councils to fund for replacements so Christchurch City Council would no longer fund for replacement and, over time, exit social housing.					
13	Rent increase 35% and sell 17 under-capitalised sites to a Community Housing Provider	Selling the under-capitalised complexes to a Community Housing Provider and applying a rent increase of 35% to the retained sites brings the social housing buildings and land to a sustainable level. The Community Housing Provider could access the Income-Related Rent Subsidy to maintain / re-develop these sites.					

Options		Descriptions	Strongly support	Support	Do not support	Strongly do not support	Don't know
14	Affordable housing and social housing portfolio	Use the social housing buildings and land for both affordable rental housing and social housing purposes. Make use of the higher income received from affordable housing to subsidise social housing (returning to the former public housing model).					
15	Sell social housing buildings and land and build new stock	Sell social housing buildings and land to get the greatest return and re-invest capital into new social housing developments.					
16	Buy new social housing stock — Invest	Attempt to get out of the current financial situation by increasing revenue for the new properties to offset the loss on some of the worst properties.					
17	Rent increase to market level — Exit social housing	The Council increases rents to a market level to make all social housing buildings and land financially sustainable and return a dividend to Council ratepayers.					
18	Rent increase of 32% and sell 17 under-capitalised sites	Selling the under-capitalised complexes and applying a rent increase of 31% to the retained sites results in all social housing buildings and land being financially sustainable.					
19	Demolish all social housing buildings and land and re-develop through a build, own, operate and transfer scheme; or a build, own, and transfer scheme	The Council agrees to demolish all social housing buildings and land and use the land to build better quality housing via a build, own, operate and transfer scheme. This means that the Council would operate a lease-to-own scheme over an agreed period of time.					
20	Sell all social housing buildings and land and exit provision of social housing	Sell all social housing buildings and land in accordance with relevant legislation, exiting social housing provision.					

5. From the table above, please show your three preferred options below.

1. Option number	
2. Option number	
3. Option number	

6. Do you have any further comments about the Council's proposal? ______________________________

____

____

____

Supporting submission form

Please use this form if you wish to gather support for your submission. Anyone who signs the form is still able to make their own submission, should they wish to.

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Hearings: You may attend the hearings to hear the submission you are supporting, however, only the original submitter will have the opportunity to be heard, if they have indicated that intention in their submission.

We the undersigned support the entire submission on the Christchurch City Council's Social Housing Proposal, written by:

____

(attached in front of this form).

Name (first and last name)	Contact address	City	Postcode

If photocopying this page, please include header and footer.

Page ______ of ______

Supporting submission form

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SPG6536 May 2013

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PO Box 73014, Christchurch 8154
Telephone 941 8999. Email: info@ccc.govt.nz
Or visit our website: www.ccc.govt.nz

Christchurch City Council