

Housing

Activity Management Plan

Long Term Plan 2015–2025

As amended through the Annual Plan 2016/17

1 July 2016

Quality Assurance Statement

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Table of Contents

Definitions/Glossary of Key Terms	2
1 Key Issues for the Housing Activity	3
1.1 Community Outcomes	5
1.2 Relevant trends for Housing Activity	5
1.3 Key Issues and Opportunities for Housing	18
2 Proposed changes to activity	21
3 Activity description	33
3.1 Focusing on what we want to achieve	33
3.2 How we will know we are achieving the outcomes	33
3.3 What services we provide	33
3.4 Our key customers	34
3.5 Key legislation and Council strategies	34
4 Levels of service and performance measures	36
5 Review of cost effectiveness - regulatory functions and service delivery	50
6 Long Term Infrastructure Strategy	51
6.1 Issues, principles and implications	51
6.2 Background to the current provision of Social Housing	51
6.3 The impact of the earthquakes on the social housing portfolio	55
6.4 The long term 30 year forecast	55
6.5 The 'preferred' long term Strategy	58
7 Review of cost-effectiveness - infrastructure delivery	60
8 Significant Effects	60
8.1 Assumptions	61
9 Risk Management	63
10 Improvement Plan	66
10.1 Pre-earthquake status	66
10.2 The impact of the earthquake, current challenges and status	66
11 Operations, Maintenance and Renewals Strategy	67
11.1 Operations and Maintenance	67
11.2 Capital Renewals (& earthquake related Capital expenditure)	69
12 Key Projects	72

13	Summary of Cost for Activity	73
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Definitions/Glossary of Key Terms¹

Accessibility: Housing that is suitable, affordable and appropriate to housing needs.

Affordable Housing: Secure accommodation for the wider population whose measurement is linked to the household's ability to meet their housing costs, while leaving sufficient income to maintain an acceptable standard of living. The Royal Commission on Social Policy adopted a rental affordability threshold based on rents being in the range of 25% to 30% of gross income. A similar assessment of home ownership affordability is used by finance institutions when calculating mortgage repayments.

Disability: A person with a disability is a person with a physical, intellectual, sensory, or age-related disability or mental illness (or combination of these) who faces barriers in the social and physical environment that prevent them from fully participating in and contributing to community life (New Zealand Disability Strategy).

Emergency Housing: Housing required for short-term, crisis situations.

Financially Sustainable: Operation and management of the Council's housing portfolio which draws upon sources other than rates resources to fund itself.

Homelessness: A lack of safe, secure and affordable housing, as defined by the Homelessness Task Group (Christchurch, 2005). There are different degrees of homelessness (i.e. primary, secondary, tertiary and marginally housed).

Partnership: A combined approach to funding, supplying, managing or supporting social housing.

Social Housing: Not-for-profit housing programmes that are supported but not necessarily delivered by [central or local] government to help low and modest income households and other disadvantaged groups to access appropriate, secure and affordable housing [i.e. within their means] (NZHS, 2005) Social Housing has also been used to describe situations where the market had been unable to provide housing for those on very low incomes and/or those experiencing other barriers. In this sense, the term is quite different from affordable housing, although the two can be confused and used interchangeably.

Support Services: A range of social and/or community and/or health services that may be provided to tenants to assist sustainable tenancies.

Transitional Housing: Temporary housing for families or individuals who have not yet found permanent housing but require more stability than an emergency shelter. Residents may stay for several months.

¹ CCC Social Housing Strategy 2007

1 Key Issues for the Housing Activity

Introduction

The Christchurch City Council's housing activity operates in an environment that is rapidly changing. Both the wider housing market and the Council's social housing portfolio have been significantly altered by the 2010 and 2011 earthquakes.

Prior to the earthquakes there were approximately 179,000 houses in greater Christchurch, with around 150,000 (84%) within the boundaries of the Christchurch City Council. By end 2011, across greater Christchurch, close to 8000 homes were zoned 'red' by the Crown as uneconomic to repair and a further 4200 were uninhabitable. The vast majority of these homes are in Christchurch city. Together this is a 6.2% decrease on greater Christchurch's pre- earthquake housing numbers.

In addition to the total losses, another 150,000+ houses needed repairs or rebuilds, with many of these households needing to find alternative housing while waiting for and/or during their repair or rebuild.

Most of those houses red zoned or with major damage were in the eastern suburbs, the areas with more affordable homes. Social housing supply was also reduced, with around 1000 units out of 9000 (across Council, Housing New Zealand Corporation and non-government providers) red zoned, rendered uninhabitable or declared earthquake prone. Affordable private rental supply was also lost, for example at least 250 boarding house beds were lost from the central city.

The impact on the Council's social housing portfolio is of direct interest to the Council. Prior to the earthquakes, the portfolio consisted of 2,649 units. Due to earthquake damage, the identification of earthquake-prone buildings, and the red zoning of 113 units this number reduced to 2215.

The loss and damage to housing as outlined above has placed great pressure on the remaining housing stock, both for home ownership and rental. Homeowners and renters displaced from their homes entered the housing market seeking a new home to buy or rent. This activity included landlords displaced from their homes providing tenants with notices to quit so they could occupy their rental property. Added to this demand on reduced stock was the arrival in Christchurch from 2012 of rebuild workers as the repairs of residential homes gained momentum.

The pressure commenced in 2012, worsened during 2013, and seems to have stabilised mid-2014. The Ministry of Business Innovation and Employment's (MBIE) estimate is that pressure on the housing market will continue, with some easing, until 2017/18 with pressure further reducing from then. As the commercial and government rebuild will continue beyond 2017/18 there will be continuing demand from rebuild workers.

The reduction in supply and increase in demand led to very high rent increases. Rents have increased by 47% since the earthquakes, compared to 17% in Auckland. By February 2014, median rent in Canterbury was only \$20 below Auckland's median rent.

The housing market pressure has had the most impact on renting households on low incomes. This group has been unable to compete with landlords returning to their properties, displaced residents and incoming workers. This inability to compete has seen an increase in homelessness, overcrowding, demand for social housing and financial stress from paying a higher percentage of income in rent.

House prices also increased at high rates, higher than increases in Auckland, although Christchurch houses remain lower in price than that centre. Wider economic considerations also impacted on Christchurch's home ownership market with Reserve Bank changing the loan to value ratio from 10% to 20% and interest rates starting to increase. This placed further pressure on people seeking to enter the home ownership market.

Together, rent escalation, house price increases, reduced social housing supply, and the time taken to repairs and rebuild homes have resulted in increased barriers to most people seeking affordable housing, whether it be in home ownership or rental.

The Challenges

Given the changes to the housing market, the Christchurch City Council faces three major housing challenges. These are to how best:

- Support the housing market's recovery, especially in the social and affordable housing (rental and homeownership) sectors;
- Address the impact of the earthquakes on the Council's social housing portfolio
- Address the broader sustainability issues facing the Council's social housing portfolio

Challenge 1

Traditionally, the Council's focus on housing has been largely on its own social housing portfolio as well as supporting housing developments through its planning and consenting roles. Given the impact of the earthquakes the Council's focus has broadened to include how best to support other agencies and the private market meet housing need. The Council agreed to this broader focus on 11 September 2014 when it ratified entering into a Housing Accord with the central Government. This Accord commits the Council to working with the Government to address housing affordability issues. The Council's ability to enter into this Accord is specified in the Housing Accord and Special Housing Areas Act 2013. The Council broadening its focus beyond social housing is also within the scope of section 10 of the Local Government Act which includes a statement that the purpose of local government is to "meet the current and future needs of communities for good quality local infrastructure". "Local infrastructure" is not defined in the Act. The Council has taken the view that "local" refers to activities undertaken within the Council's district. The Council views housing as a form of "infrastructure" which is consistent with the central Government's National Infrastructure Report 2013 that includes housing as social infrastructure.

Challenge 2

EQC and insurance settlements will not be sufficient to meet the costs of repairing or replacing damaged or earthquake prone Council social housing. The exact shortfall will be confirmed once a final insurance settlement is reached. The Council will need to decide on the best strategy for the portfolio's recovery.

Challenge 3

In addition to the earthquake impacts, the Council's social housing portfolio faces long term financial sustainability issues. Rents as paid by the tenant are the only revenue for this portfolio. As a consequence there has been for some time insufficient revenue to undertake all the maintenance, repairs and replacement activities the portfolio needs.

Responding to the challenges

The Christchurch City Council is responding to these three major challenges. It has:

- A. Entered into a Housing Accord with the Government that acknowledges that housing affordability is a major issue. The Accord outlines how they will work together to improve the supply and affordability of housing. Under the Accord there is a range of actions that address helping the broader market and the future of council social housing.
- B. Commenced implementation of the Land Use Recovery Plan provisions that seek to streamline residential development. For example, the Council has identified two social housing complexes for redevelopment as exemplar housing projects.
- C. Repaired some closed social housing units, bringing the number of open units to 2231 from the post-earthquake low of 2213. There are significant constraints on repairing other closed units as most are constructive losses and need to be replaced.
- D. Approved a plan to improve the Council social housing portfolio's financial sustainability by establishing a non-government entity to lease Council social housing. This Community Housing Provider will be able to receive funding from the Crown for the portfolio unit it leases, funding which the Council are excluded from under the new legislation.
- E. Continued to develop a sense of community for its tenants through activities and engagement.

- F. Partnered with other organisations to achieve improved outcomes for social and affordable housing for social housing complexes to be redeveloped.

1.1 Community Outcomes

Everything that the Council does in its day-to-day work is focused on achieving community outcomes. All activities outlined in this plan aim to deliver the results required to achieve these outcomes, contribute to Council strategies and meet legislative requirements. Likewise, all Council capital and operating expenditure is directed towards a level of service that moves the community closer to these outcomes now or at some future point.

Given the unique situation that Christchurch is in following the earthquakes, the effective management of housing for Christchurch means achieving the community outcomes that:

- There are affordable housing options in Christchurch
- Christchurch has a range of housing types
- Christchurch has good quality housing
- There is sufficient housing to accommodate residents

Prior to the earthquakes, the Council's role in community outcomes for housing was carried out via its planning and consenting roles as well the Council's direct social housing delivery. Housing needs were met largely by others without the need for Council support. Given the impact of the earthquakes, the Council is to play a more active role in achieving these community outcomes by working alongside others to meet housing need.

Section 3 & 4 shows how these outcomes flow down into and influence the Council's activities and levels of service in relation to Housing.

1.2 Relevant trends for Housing Activity

In undertaking its Housing Activity, the Council will have regard to relevant demographic and housing market trends. Clearly the 2010 and 2011 earthquakes have changed the market; however the Council also needs to consider the longer term demographic and market trends. These trends affect Council's future provision of social housing and for Council's support in the provision of affordable, emergency and transitional housing. A summary of the key demographic and housing market trends is set out below.

Demographic trends

Population growth

Census figures show Christchurch city's population between 2006 and 2013 reduced by 6,990, a 2% decrease from 348,459 people in 2006 to 341,469 in 2013.

Information from the 2013 Census indicates a drop in movement to the Greater Christchurch² area and a significant increase (28.6%) in those moving away from the region in comparison to 2006 census figures. This equals a net decrease in migration behaviour by 15% even though there has been an influx of construction workers moving to the city as part of the rebuild workforce.

By area of usual residence five years ago⁽¹⁾

2006 Census		2013 Census		Percentage change 2006–2013	
Moved to greater Christchurch ⁽²⁾⁽³⁾	Moved from greater Christchurch ⁽²⁾⁽⁴⁾	Moved to greater Christchurch ⁽²⁾⁽³⁾	Moved from greater Christchurch ⁽²⁾⁽⁴⁾	Moved to greater Christchurch ⁽²⁾⁽³⁾	Moved from greater Christchurch ⁽²⁾⁽⁴⁾
38,130	29,430	32,835	37,836	-13.9	28.6

Table 1

² Greater Christchurch includes Christchurch City, Selwyn district and Waimakariri district.

Over the longer term, Statistics New Zealand projections are that Christchurch's population will grow, although they state that 'the pace and timing of that growth is uncertain'. The medium growth projection is an average annual growth of 0.6 percent between 2011 and 2031, with assumptions of a net migration of zero in 2012–16, and an average net inflow of 1,300 a year after 2016.

Population movement

After the earthquakes there was a reduction in population in the residential red zones. Growth areas emerged to the north and south west of Christchurch (refer to map below).

Population increases occurred in areas less impacted by the earthquakes or where housing redevelopment, including infill, and green and brown field's developments, is occurring. Examples of growth areas include Middleton, Sockburn, Sydenham, and Wigram.

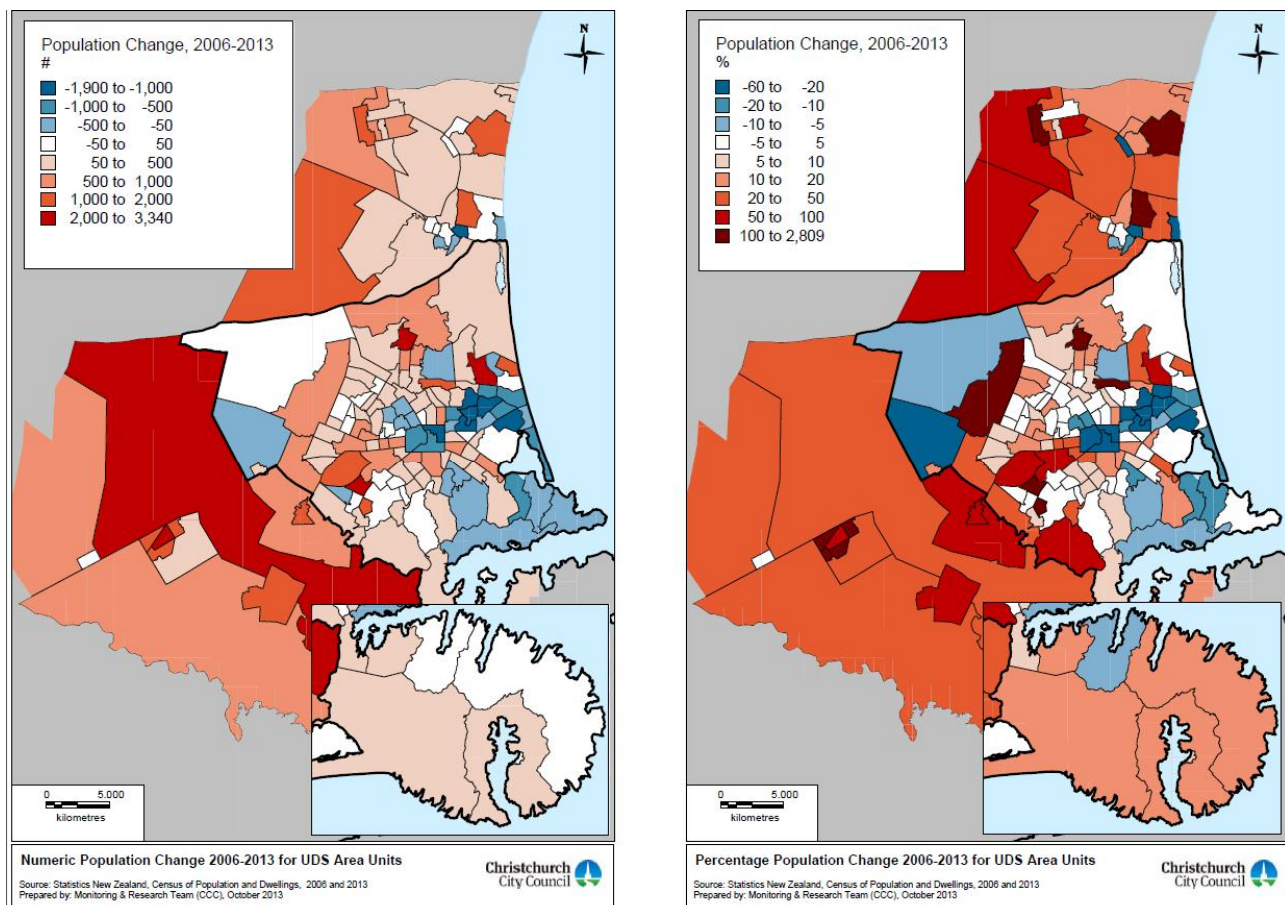


Figure 1

Current population movement assumptions reflect some further relocation of Christchurch residents to neighbouring districts and beyond, notably from red zone areas.

Population ageing

New Zealand wide, there is expected to be a significant growth in the over 65 age group by 2031 with 21 percent of the population projected to be aged 65 years and over in 2031, up from 12 percent in 2006 and 14 percent in 2012.

By 2031 there will be larger numbers and proportions of people at older ages than in earlier years. The below figure illustrates the project age distribution of the New Zealand population by 2031.

New Zealand

Age structure in 2031

Projected resident population

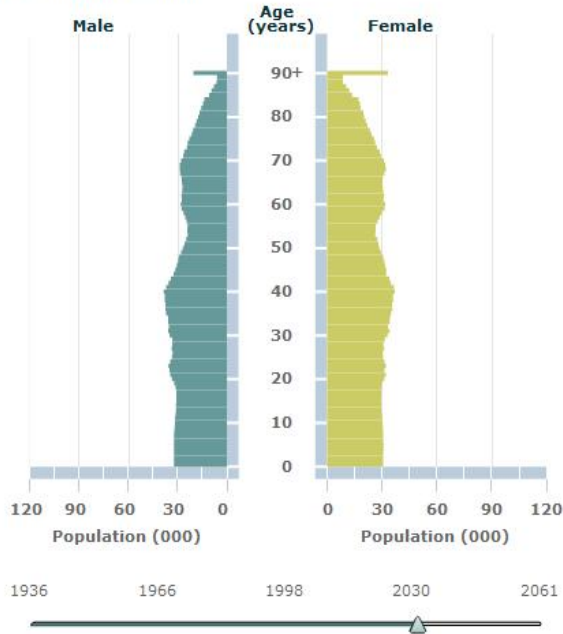


Figure 2

The ageing of the population has implications for the Council’s social housing portfolio as older people are an important client group, with those aged 65+ comprising 40.5% of tenants. The age profile of the Council’s tenants is set out in the graph below.

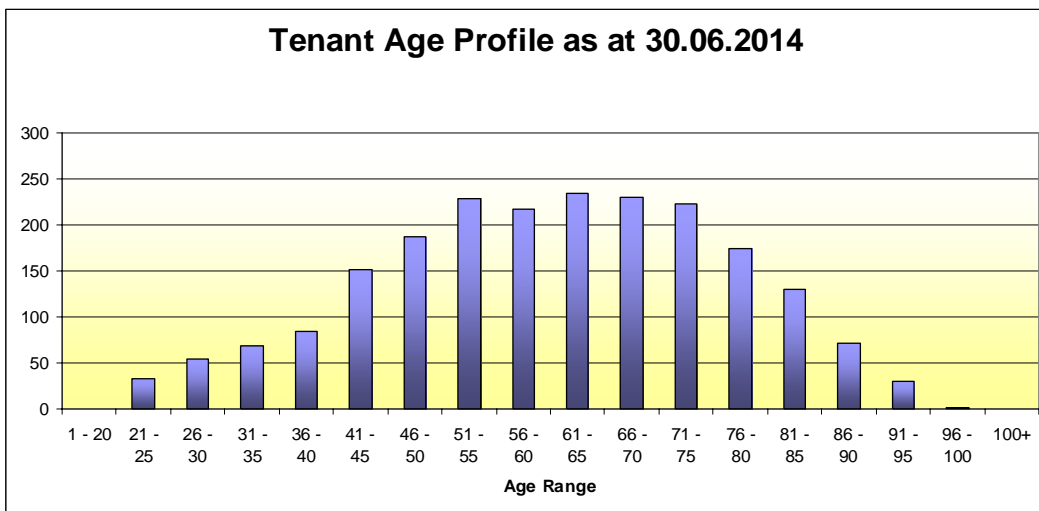


Figure 3

However, older people are not the only major group housed in Council social housing. Recent trends in tenant age data (illustrated in the graph below) show an increase in younger tenants than seen in previous years. There are a number of factors that may be seen to contribute to this including:

- Ø a growing awareness of the ageing population that has seen a significant increase in housing options for older people such as retirement villages for older persons
- Ø deinstitutionalisation of Mental Health and Intellectual Disability institutions leading to an increase in community based and supported living, increased need for independent living spaces for younger

people on sickness and invalids benefits, and the increase in the need for safe and secure homes in which to serve home detention sentences

- Ø rental and housing affordability issues for younger beneficiary and low income tenants

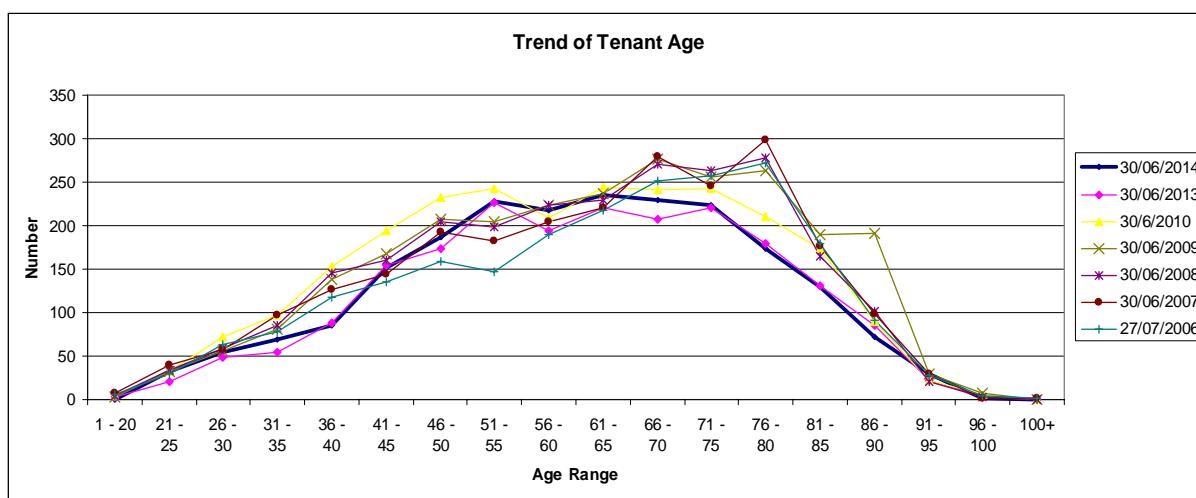


Figure 4

Household and Personal Income and Deprivation

Household income is very relevant to Council social housing as income is an eligibility criterion. Applicants must earn under a certain amount to qualify. Trends in household income (as well as private rental prices) can influence the number of applications for social housing.

According to the Household Incomes Report, in New Zealand 'while there is no evidence of a growing inequality in the population overall or between high income households and the rest in the last two decades or so, there is evidence here that there is a **growing gap between the incomes of those heavily reliant on the safety net provided by main working-age benefits, and the rest**'. The different growth or decline patterns for household incomes, average after-tax earnings, New Zealand Superannuation (NZS) and main benefits is illustrated in Table 2 below. Three reference years are used: 1983 for before the 1991 benefit cuts, 1994 for after the cuts, and 2007 for after Working for Families (WFF).

	% change from base year (CPI adjusted – i.e. 'real' changes)		
	1983 to 2014	1994 to 2014	2007 to 2014
Median household income	+25	+45	+5
Net average ordinary time earnings	+32	+32	+12
NZS	+9	+21	+12
DPB plus family assistance (with one child)	-17	+6	-2
Invalids Benefit – single aged 25+	-8	-1	-1

Table 2

In 2013 the median household income for Christchurch City was \$54,462 per annum being the equivalent of \$1047 per week. This was an increase of 13%, \$6,300, since the previous census in 2006.

The median family income (median personal incomes of all members aged 15 and over of the family who live in the same household) for Christchurch city for the same period was \$76,100. Auckland city recorded \$78,600. (refer Figure 5)

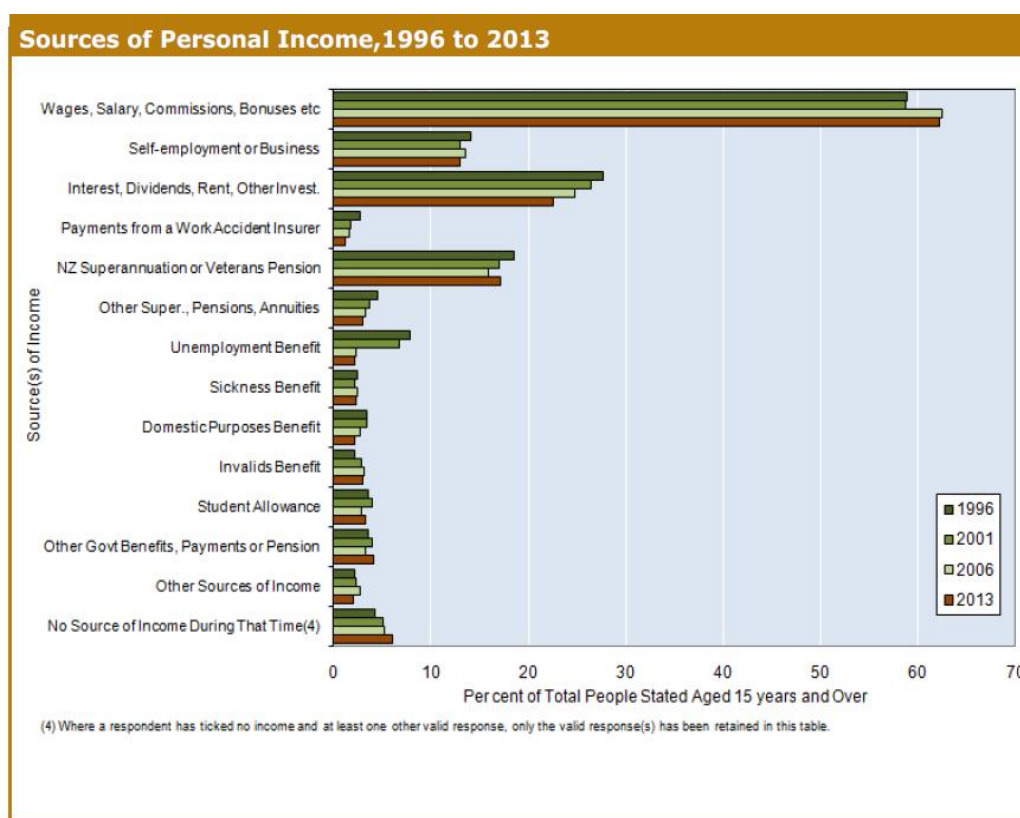
The above discusses household income. Personal income is also highly relevant to Council social housing as many of its applicants are single people. Personal income trends are discussed below.

Statistics New Zealand 2013 census data shows that:

- New Zealand's three most populous regions have the highest median personal incomes
- The regional council areas with the highest gross median incomes from all sources were:
 - Wellington (\$32,700)
 - Canterbury (\$30,100)
 - Auckland (\$29,600).
- In 2013, the median person income for Christchurch City was \$28,500 which equates to \$548 per week (Gross) compared to \$28,100 for Auckland city.

According to the New Zealand Income Survey³ the median weekly income from all sources (for all people) increased by \$25, or 4.3 per cent, between the June 2013 and June 2014 quarters.

Census results show some changes in the sources of personal incomes, nation-wide. The below table illustrates these changes, for example a reduction in the percentage of people receiving the unemployment benefit.



Source: Statistics New Zealand: Census of Population and Dwellings.

Figure 5

As well as the amount of income, the location of people earning the least is also of interest as it indicates those areas of greater deprivation. This is helpful for the planning of future social and affordable housing provision.

In 2013, the area units with the greatest proportion of the working age population (15 years and over) earning under \$20,000 were Ilam (61%), Upper Riccarton (58%), Riccarton West (58%), Wharenui (54%)

³ The New Zealand Income Survey: June 2014 quarter Found at http://www.stats.govt.nz/browse_for_stats/income-and-work/Income/NZIncomeSurvey_HOTPJun14qtr.aspx

and Aranui ((51%). Other area units with a large proportion of the working age population earning under \$20,000 include Jellie Park (49%), Sockburn (47%), Woolston West (44%), Linwood East (43%)⁴

University of Otago 2013 deprivation index map (set out below) indicates the deprivation areas across Christchurch city on a 1-10 ranking scale with the least deprived areas ranked at 1 (dark brown) and the most deprived at 10 (lightest blue). The map indicates large area of deprivation from the furthest eastern boundary (the shoreline) through the centre of the city, with the least deprived areas generally situated at the outmost boundaries of the city.

This map indicates the placement of Housing New Zealand and Christchurch City Council social housing complexes (units) in relation to the deprivation areas across Christchurch city. The mapping indicates that large areas of social housing generally correlate to areas of high deprivation.

⁴ Christchurch City Council (2014); Christchurch City Fact Pack 2013. Available from <http://www.ccc.govt.nz/cityleisure/statsfacts/census/index.aspx>

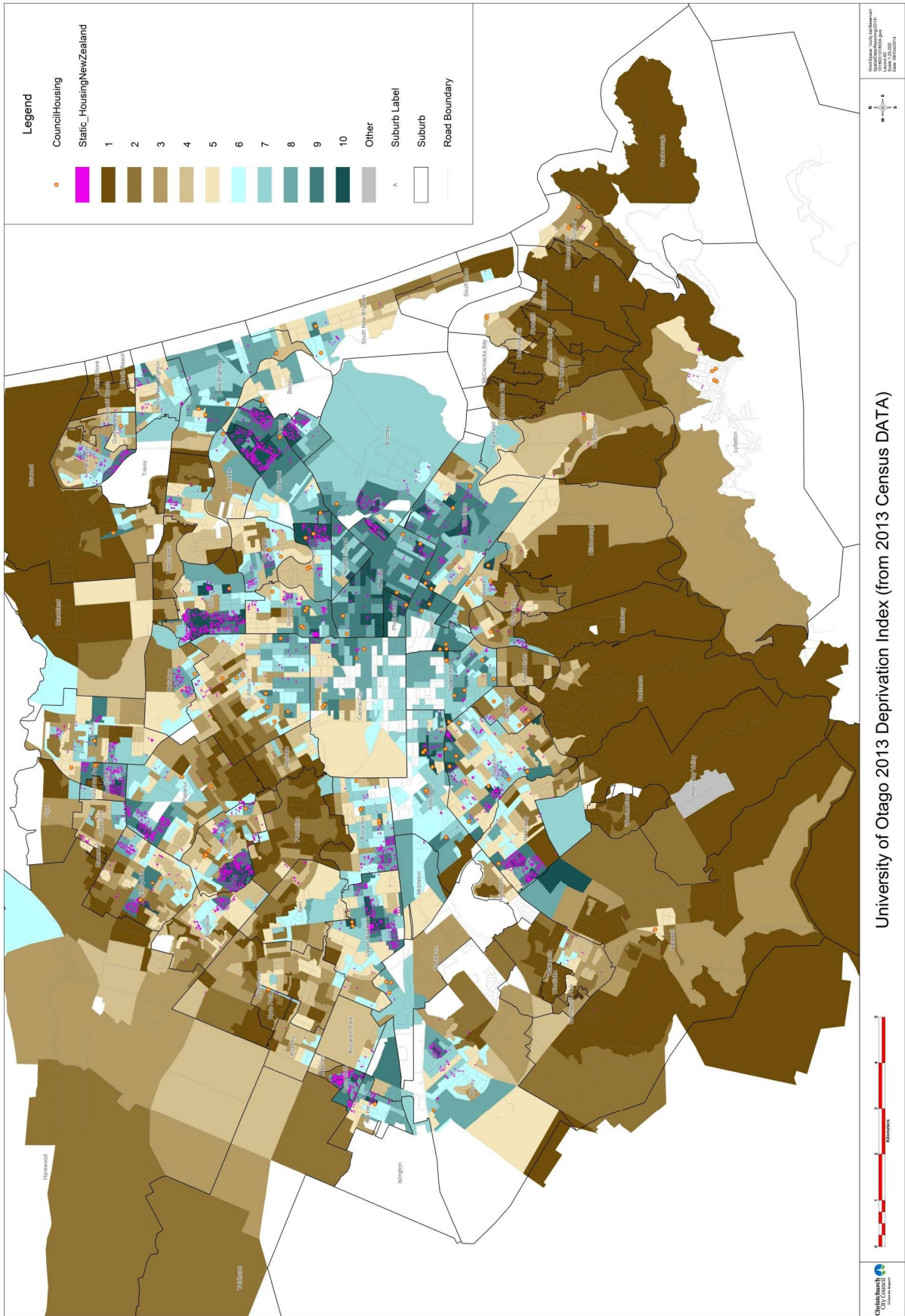


Figure 6

While the deprivation rating has stayed constant in a number of areas across Christchurch city the 2013 index has seen a deprivation increase in Rawhiti, Parklands, Akaroa and Aorangi.

Linwood, Waltham and Phillipstown were previously among the most deprived areas in Christchurch city but have seen a 1 point drop from 10 to 9 on the 2013 deprivation index. Aranui remains the most deprived area with no change

The biggest growth area from most deprived to least deprived is Middleton which moved 3 points from 9 to 6.

Household type

Trends in household type are also relevant to Council social housing. In particular, the number of one-person households is of interest, given this is a large group of applicants to social housing. This in part reflects the greater affordability issues that one-person households face in the private rental market. The number of one-person households in Christchurch is projected to increase from 36,400 in 2006 to 58,500 in 2031, an increase of 61% (the larger increase when compared to family and other multi-person households).

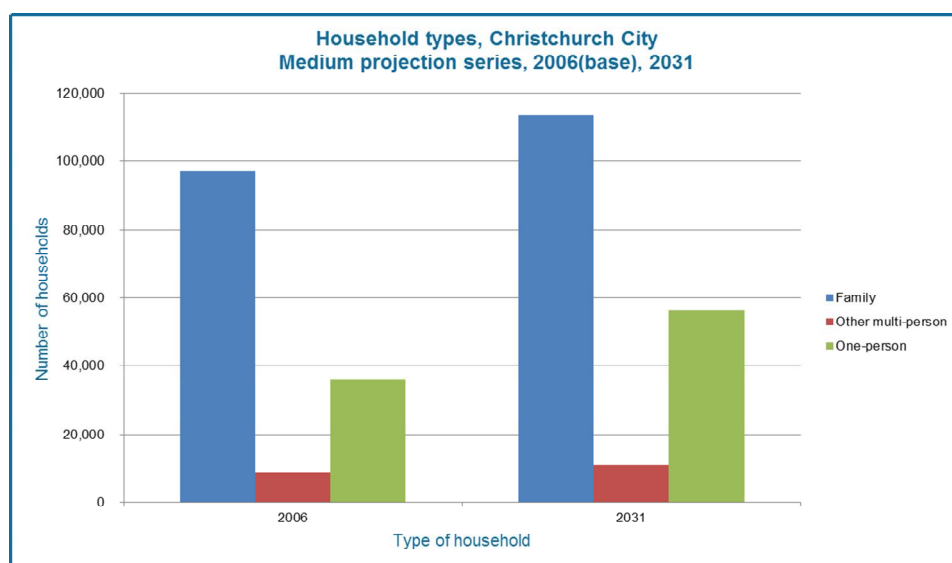


Figure 7

Housing market trends

Demand for temporary housing

The earthquakes created a new type of housing demand – the demand for temporary housing while people waited for their homes to be repaired or rebuilt. People have needed temporary housing for periods of week to years. While it is likely that demand for temporary housing has peaked, there will remain some demand until 2017/18 when the vast majority of earthquake repairs and rebuilds should be complete. This demand is relevant to the Council in the short term when assisting the recovery of the housing market – as this demand has led to significant rental increases in the private market.

As an example of the continuing strong demand for temporary housing, in October 2014, occupancy rate for the Canterbury Earthquake Temporary Accommodation Service (CETAS) temporary villages (124 village units) was at 92% and there were 284 households on the waiting lists.

Homelessness and demand for emergency/transitional housing

The number of people homeless has increased in Christchurch following the earthquakes. This increase has been verified by the 2013 Census which showed an increase in overcrowding and people living in improvised dwellings; by increased demand for social housing; and increased demand for overnight hostel and refuge accommodation.

The Housing Pressures in Christchurch report prepared by MBIE in 2013⁵ concluded the people in insecure housing had increased. Absolute numbers were difficult to provide and instead the report contains low, medium and high estimates of both pre and post-earthquake numbers of those in insecure housing. In the report's medium estimate, there were 3,750 people in insecure housing before the earthquakes and 6,460 after the earthquakes.

The reasons for this increase are the loss of affordable rental supply and the increase in demand for this reduced pool of housing which has led to higher rents. For example, the reduction in private rental supply has meant increased difficulty for people in Canterbury District Health Board facilities to exit these facilities into a rental home. Social housing is increasingly seen as an option, which has implications for the Council's portfolio.

Household tenure

The 2013 census indicates that the percentage of households across New Zealand who own their own home or hold it in a family trust has decreased from 66.9 per cent in 2006 to just 64.8 per cent in 2013 (refer Figure 8)

Christchurch city follows the national trend in decreased home ownership rates with a home ownership rate of just 52 per cent in 2013 down from 57.6 percent in 2006. The percentage of homes owned by a family trust has increased by 2.8 per cent, with an increase of residents living in homes not owned by the usual resident

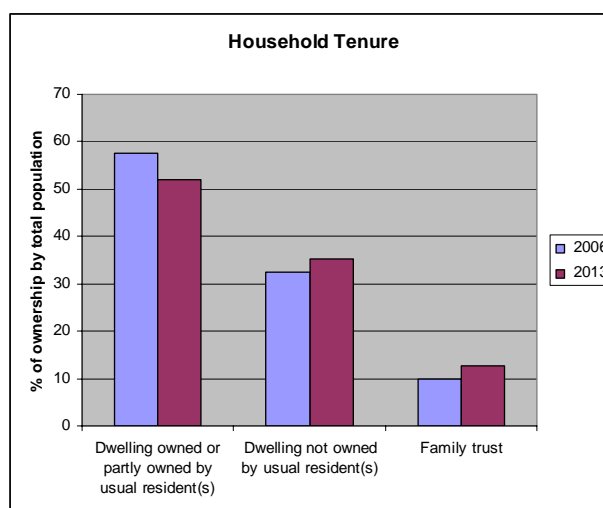


Figure 8

The above means an increasing proportion of people are and will be renting in the private and social housing markets, which implies strong ongoing demand for the Council's portfolio. Within the rental market, a private person, trust or business is the largest landlord grouping at 83.1%. This is illustrated below.

Landlord type	
Private Person, Trust or Business	83.1%
Local Authority or City Council	4.7%
Housing New Zealand Corporation	11.8%
Other	0.5%

Table 3

⁵ <http://www.dbh.govt.nz/UserFiles/File/Publications/Sector/pdf/christchurch-housing-report.pdf>

Housing (house price) affordability

Canterbury's housing affordability has declined since 2012, as illustrated in figure 9 below. From having relative affordability similar to Wellington in 2011-2012, Canterbury's affordability has since declined, while Wellington's has improved.

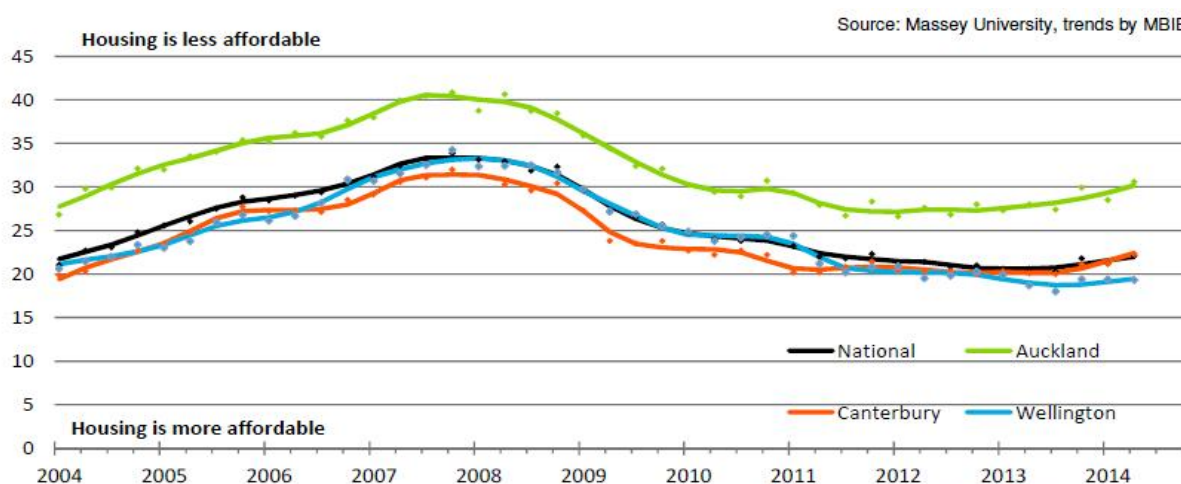


Figure 9

Changes in house prices have a direct link to the eligibility criteria for Council social housing. Applicants for Council social housing must have assets below a certain threshold, which is set at 10% of the median Canterbury house price.

During the August 2014 period the median house price in Christchurch was \$429,200. Over a 25 year period, based on a floating mortgage rate of 6.74% (as at October 2014) it would cost \$683.88 per week to service a mortgage for a house in the median sales range, or \$641.73 per week over a 30 year period.

For August 2014 the median weekly net (take home) take home pay for a typical home buyer aged 30-34 years was \$819.10 (or \$1044 gross). This income could service a mortgage payment of up to \$246.86 per week or value of \$155,800.00 on a 25 year term. Over a 30 year term \$245.42 per week would service a loan balance of \$165,000.00. This gap between what a household can afford and what it will need to service a mortgage on a median house price illustrates the affordable housing challenges facing New Zealand.

The Housing Accord between the Council and Government identifies two outcomes to achieve for housing affordability:

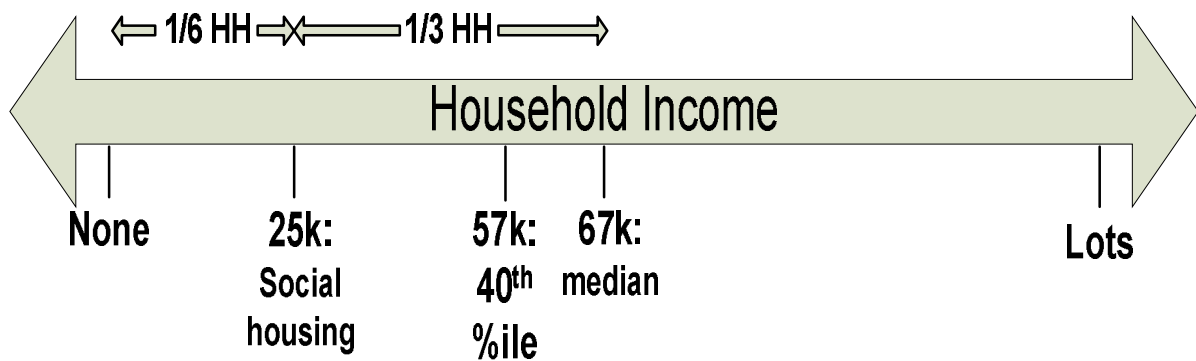
1. increase the number of building consents issued for home and/or units that are valued less than \$250,000, and
2. For those with household incomes less than the 40% percentile of the median household income having to spend more than 30% of their income on housing.

Refer to the diagram on the next page.

Housing Accord Affordability targets

Increase building consent applications < \$250,000

30/40 rule, no more than 30% of income spent on housing



Rental Affordability

Nation-wide, rental affordability is an issue. In June 2013, almost all renters receiving the Accommodation Supplement (AS) (93%) spent more than 30% of their income on housing costs, three in four spent more than 40% and almost half spent more than 50%. In 2013, 50% of Accommodation Supplement recipients were receiving the maximum payment, up from 33% in 2007.

Data from MBIE, shown in the New Zealand Housing and Construction Quarterly indicated that Christchurch city has a high housing affordability issue, as illustrated in figure 10 below, alongside the Selwyn and Waimakariri Districts with very high affordability issues. The "LIHA" referred to in the title is "Low Income Housing Affordability" and the affordability measured is the degree to which people are paying more than 30% of their income on rental housing costs.

Figure 21: LIHA for the Three Months Ending March 2014

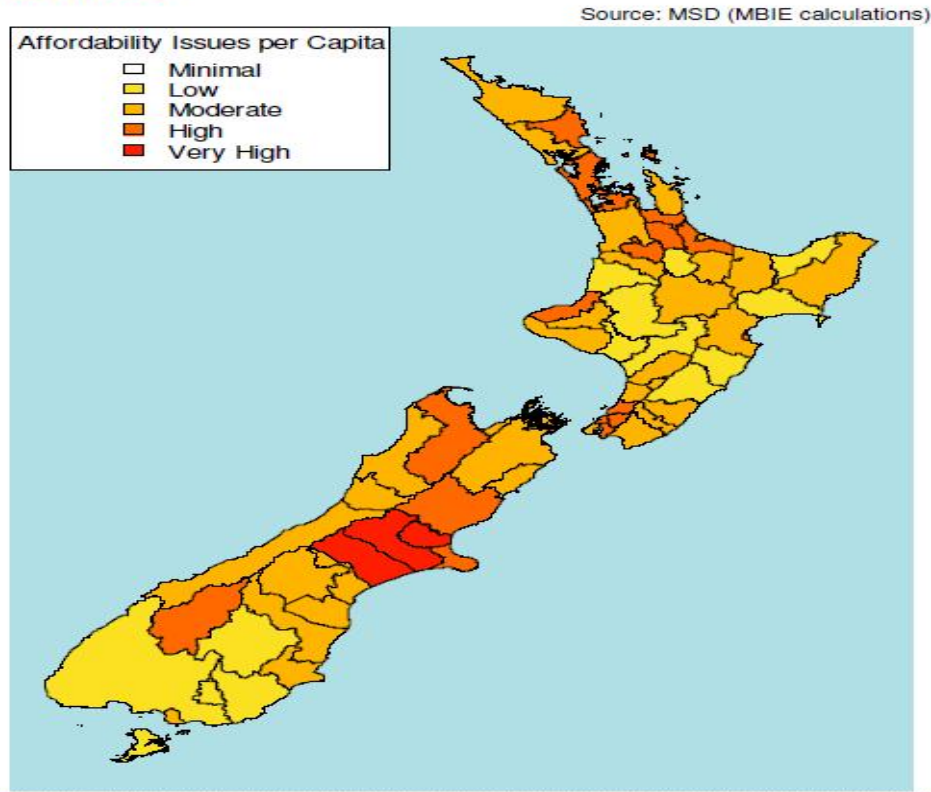


Figure 10 – Low Income Housing Affordability

The housing affordability issues follow the strong rental increases in Christchurch following the earthquakes as illustrated in Figure 11. The high percentage increases may have peaked in early 2014, when weekly rents in Christchurch came to just \$20 below Auckland’s rents. The Housing Unit will continue to monitor rents as the residential rebuild is complete and the government and commercial rebuilds gain momentum.

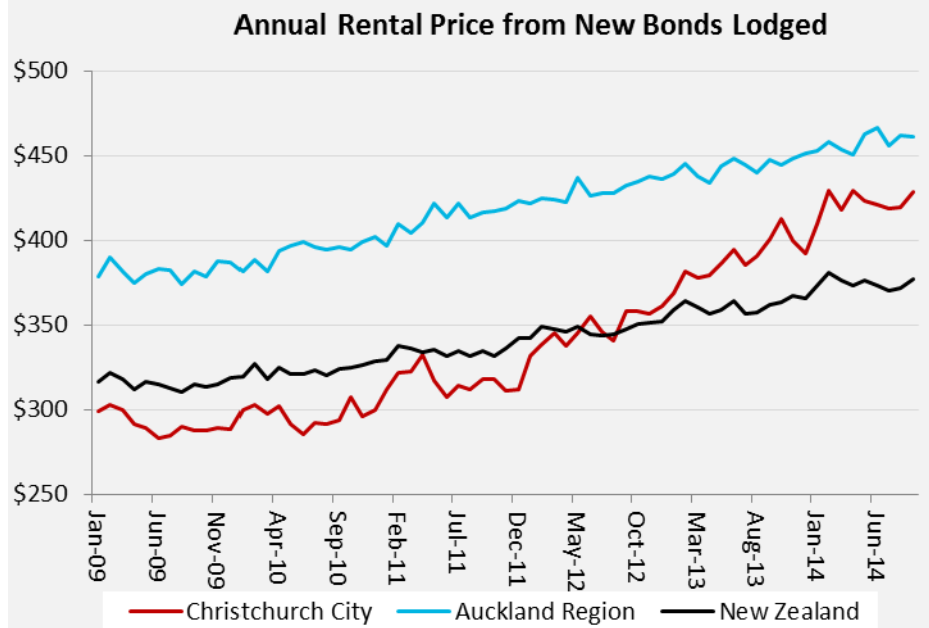


Figure 11 – Annual Rental Price from New Bonds Lodged (MBIE).

Figure 12 below compares the average rents paid by Council social housing tenants to the average market rent as at January 2014. This exercise was undertaken for the Council by Knight Frank registered valuers. Average rents paid by tenants range from 48 to 57 per cent of the average market rent.

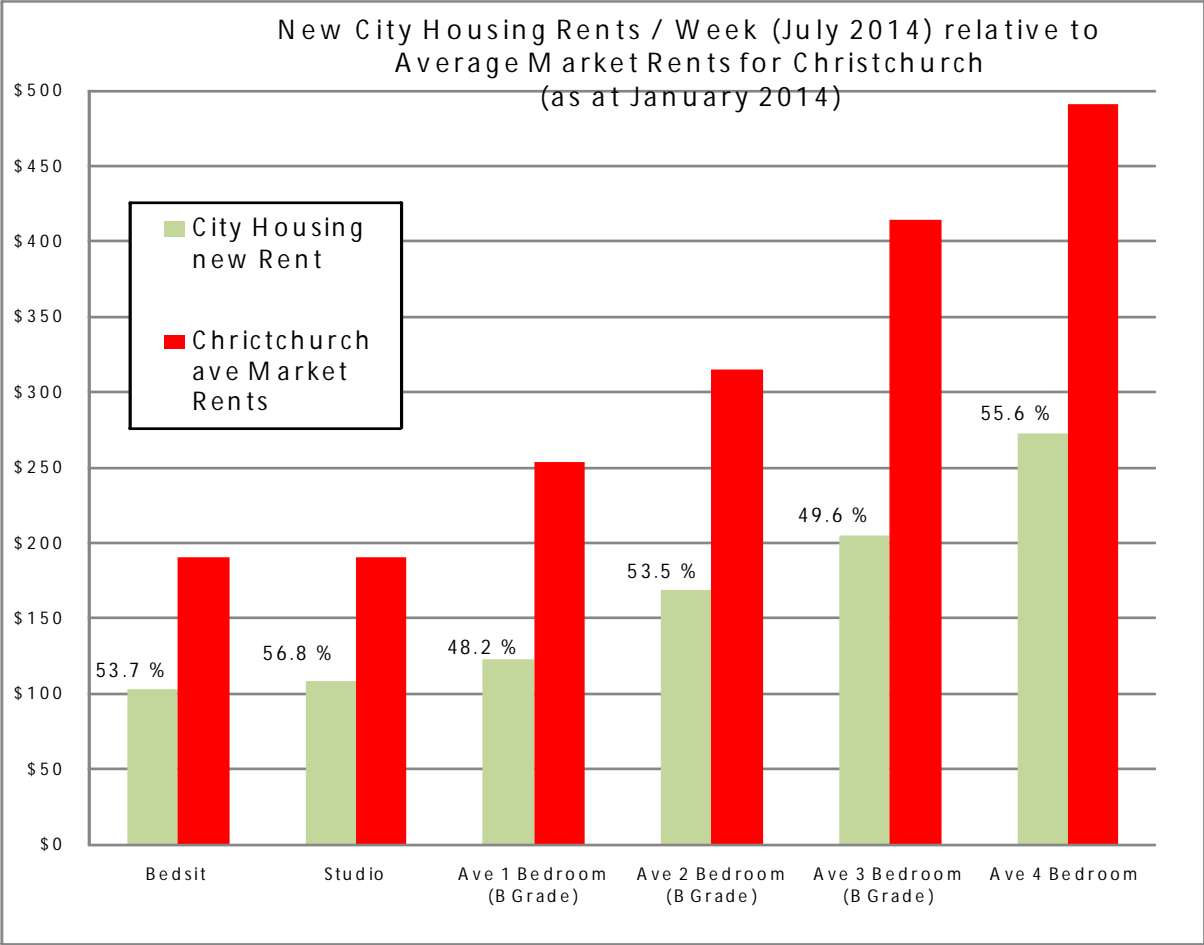


Figure 12 – New City Housing rents compared to Market rents

Construction costs

The New Zealand Housing and Construction Quarterly February 2014 edition states that Christchurch’s housing construction costs have broken historical trends and increased 11% over the past year, and that Christchurch’s construction costs have soared past Wellington’s levels, a change not seen in the past 10 years. The September 2014 edition highlights that Greater Christchurch’s residential and non-residential consent activity are now both on par with Auckland levels.

1.3 Key Issues and Opportunities for Housing

There are several key issues and opportunities facing the Council in the housing area as outlined below. The Council will prioritise resources to address these issues and opportunities and best meet the community outcomes of:

- There are affordable housing options in Christchurch
- Christchurch has a range of housing types
- Christchurch has good quality housing
- There is sufficient housing to accommodate residents

The table below focuses on the direct work of the Housing Unit. There are other areas of the Council that also impact on the provision of housing and the Housing Unit will work with these areas. Activities underway across Council that benefit housing include the District Plan review and the implementation of the Land Use Recovery Plan. With the latter, specific activities include the exemplar housing projects, and greater intensification.

Table 1-1

Key Issue or Opportunity	Discussion
<p>Broadening Council's housing strategy beyond delivery of its social housing portfolio</p>	<p>The 2010 and 2011 Canterbury earthquakes and subsequent aftershock events have had a significant impact on supply and access to housing in Christchurch city.</p> <p>Housing is a key economic recovery driver and an essential factor in the rebuilding of the community. Council has played a significant role in the provision of social housing since 1938. However the immediate needs of residents over the next ten years are for increased provision of emergency, transitional, social and affordable housing (ownership and rental). Demand for temporary housing while homes are being repaired or rebuilt and from incoming workers will also remain strong until 2017/18.</p> <p>Council's 2007 Social Housing Strategy will be changed to reflect Council's broader role in meeting this broader housing need, due to the impact of the earthquakes on the housing market. The new strategy will include Council's role in:</p> <ul style="list-style-type: none"> · Emergency and transitional housing · Youth housing · Social housing · Affordable housing (home ownership and rental) · Temporary housing · The regeneration of housing in the Central Business District and suburban hubs
<p>Optimising the use of Council assets (land and housing) to meet future emergency, social and affordable housing needs</p>	<p>The Council will consider how to utilise its assets (land and housing, including assets other than social housing) to best meet housing need. This includes investigating whether the assets are the right types (size, style, bedroom numbers), in the right places and are being put to best use (density, configuration, potential for mixed housing).</p> <p>In considering asset suitability to meet need, the Council will consider the size and type of demand for housing and the location of this demand. For example, the growth in Christchurch's southern and north western areas may have implications for how Council uses its assets to meet housing demand.</p>

Key Issue or Opportunity	Discussion
<p>Delivering Council responsibilities under the Housing Accord</p>	<p>The Christchurch City Council ratified a Housing Accord with the central government on 11 September 2014. Under this Accord the parties will work together to increase the supply and affordability of housing, undertaking activities across four work-streams:</p> <ul style="list-style-type: none"> · Increase the supply of temporary and affordable housing with a target of reducing the number of households in unaffordable housing by 10% and increasing new builds under \$250,000 (value of consent) · Improve the supply and quality of social housing with a target of 700 social housing units between 11 September 2014 and end 2016. The Council is contributing 135 units to this target. · Remove regulatory impediments to residential development. · Monitor, evaluate and report the progress of the Housing Accord's implementation. These reports will be provided monthly and will be published. <p>The Council has lead implementation responsibility for work-streams 2, 3 and 4. The Accord ends by either party terminating with six months notice or when the relevant parts of the Housing Accords and Special Housing Areas Act 2013 are repealed on 16 September 2018.</p> <p>The Council will develop a housing plan for Christchurch, drawing on the activities under the Housing Accord.</p>
<p>Improving the quality of Council social housing stock</p>	<p>The Council's major challenges in improving the quality of its housing stock is an ageing social housing portfolio, the ability to fund the replacement of the portfolio and the ability to upgrade units that are no longer suitable given today's housing standards.</p> <p>The Council needs to investigate ways to improve the warmth and energy efficiency of the portfolio, re-configure functionally obsolete units, fund future strengthening upgrades and accelerate the early replacement of a number of 'poor performing' complexes such as Andrews Crescent. The financial situation facing the Housing Fund also affects the Council's ability to undertake normal repairs and maintenance along with the ability to fund 'mid life cycle' upgrades on a number of complexes. Much of the portfolio is or is approaching mid-life.</p> <p>Collaboration with the Community Energy Action Trust is currently delivering positive energy efficiency outcomes for 20% of the social housing portfolio.</p>
<p>Optimising tenant and community participation in social housing operations</p>	<p>Social housing complexes are communities which are unique to the area and the tenant mix within them.</p> <p>The success of social housing complexes is dependent on the tenant (especially the long term tenant) feeling that they are informed, consulted and have been part of the process.</p> <p>Innovative and user friendly consultation and engagement tools must be employed to ensure tenant participation and representation in decision making, which in turn contributes to achieving high satisfaction levels. These activities help reduce anti-social behaviour, social isolation and tenant vulnerability.</p>

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Key Issue or Opportunity	Discussion
<p>Achieving financial sustainability for Council social housing</p>	<p>There are several activities underway and proposals being considered by Council that will address the issue of financial sustainability. These include:</p> <ul style="list-style-type: none"> · Establishing a Housing Management Board as a subordinate decision making body, with delegated authority to implement the establishment of the Housing Development and/or Community Housing Provider entities, and related initiatives. Council retains ownership of the Social Housing Portfolio. · Establishing an entity that could be registered as a Community Housing Provider (CHP) with the Government's Community Housing Regulatory Authority. This entity would lease social housing from the Council and receive the Income Related Rent Subsidy from the Crown for this housing. Receipt of this subsidy will assist the sustainability of Council social housing stock and tenancy services. Councils are not eligible for this subsidy, but non-government agencies are. Therefore the Council will hold a less than majority share in the entity. The rents for these leased units would be set in line with the Ministry of Social Development Income Related Rent Subsidy policy · Settling with Council's insurers the Council's claims for the repair and rebuild of housing units. This action alone however will not create financial sustainability for the social housing portfolio. · Establishing an entity to undertake development of Council's social housing portfolio. Activities could include: mixed tenure developments, sale and purchase of assets, rebuild, new builds and site intensification. The proceeds from any sales would be re-invested into sustainable social housing projects. The sales could include assets that are uneconomic and/or sites suitable for intensification or mixed tenure developments. The lease of social housing stock created by these developments could be offered to the Community Housing Provider.
<p>Improving housing neighbourhoods</p>	<p>To improve the social sustainability of neighbourhoods including Council's social housing, we need to develop mixed housing. This involves a mix of home ownership, affordable, rental and social housing. To do this, the Council will continue to form key partnerships with other housing organisations and stakeholders. Consultation with the community will be a key part of this work.</p> <p>Within the social housing sector changing demographics and tenant types indicate there is a need for the Council to work with organisations specialising in providing support to vulnerable tenants in response to their changing needs.</p>

2 Proposed changes to activity

Table 2-1 summarises the proposed changes for the management of the Housing activity since the Three Year Plan 2013-16 Activity Management Plan.

Table 2-1 Proposed changes to activity

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Level of Service of Social Housing Portfolio</p> <p>Improving the level of service from 2231 open units to 2366 open units within three years (2017/18)</p>	<p>The number of units open at end October 2014 is 2231. This reduction on the pre-earthquake level of service of 2649 units is due to a combination of earthquake damage rendering units uninhabitable, the results of detailed engineering evaluations identifying earthquake-prone units, and the red zoning of 113 units. There are 250 closed units for which the Council does not have sufficient funding to repair or rebuild.</p> <p>The number of units available will increase from 2231 to 2366 by 2017/18 as 75 closed units are repaired and reopened, 49 new units are built and 11 owner occupier units re-acquired.</p>	<p>High</p> <p>Investigation could be made into whether any pending EQC insurance payments to repair open units that are damaged yet habitable could and should be used instead to build or lease additional housing. Doing the latter would increase the size of the portfolio, however it would place at risk some open units of becoming uninsurable over time due to lack of repairs.</p>	<p>Options for the use of EQC funding for building or leasing rather than repairing units could be the subject of consultation and engagement.</p>	<p>It is unlikely the EQC and insurance settlements for Social Housing portfolio will be sufficient to complete all the rebuild and repairs to pre earthquake standard and value. Increased revenue achieved through the establishment of the CHP and receipt of the Income Rent Related Subsidy could be used over future years to return the portfolio to these standards and value.</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
Units bought back by the Council under the owner occupier buy back scheme to be retained as social housing rather than being on-sold for home ownership	The Council has a programme under which residents in Council social housing complexes can sell their owner-occupier unit back to the Council, which would then on-sell the housing to a tenant wanting to enter affordable home ownership. Post the earthquakes the Council agreed that units sold back to the Council would be retained as social housing and not sold as affordable home ownership. This decision was based on a desire to simplify and consolidate the housing portfolio, and enable more housing units to be available for social rental.	Low Investigations occurred post Earthquake and Council approved buy back option to proceed	Not required as low level of significance.	No financial implications foreseen. EQC and insurance settlement budget will be allocated.

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Strategic direction and policies</p> <p>Council to develop a new housing strategy and focus</p>	<p>The Council has a 2007 Social Housing Strategy.</p> <p>The Council requires a new housing strategy and focus that reflects the Council's broader role in meeting housing need, due to the impact of the earthquakes on the housing market, and the associated entry into a Housing Accord with the Government. The new strategy and focus will identify Council's role in:</p> <ul style="list-style-type: none"> · Affordable housing (home ownership and rental) · Social housing · Emergency and transitional housing · Youth housing · Temporary housing · The regeneration of housing in the Central City and suburban hubs 	<p>Medium.</p> <p>Council to investigate the extent of its role in meeting various types of housing need and how it will work with other agencies and community partners.</p>	<p>Community consultation and engagement would be undertaken as part of developing the new Strategy.</p>	<p>The Housing strategy work will be considered by the Council for inclusion in the Strategic Policy and Planning Activity work programme for the 2015/16 year, alongside other priorities. If approved the work will be resourced within the Strategic Policy and Planning Activity (funded through rates) with staff input from Housing Unit (funded from the Housing Fund) balanced alongside other Level of Service commitments in the Housing Activity.</p> <p>Future implementation costs for any Council responsibilities determined through the Housing Strategy will need to be considered by Council within subsequent Annual Plans</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord</p> <p>The Christchurch City Council ratified a Housing Accord with the Government on 11 September 2014. Under this Accord the parties will work together to increase the supply and affordability of housing.</p> <p>The Accord has four work-streams:</p> <ol style="list-style-type: none"> 1. Increase the supply of temporary and affordable housing. The activities involved in this work-stream are outlined in entry below on “Affordable and Temporary Housing”. 2. Improve the supply and quality of social housing. The activities involved in this work-stream are outlined in the entries below on “Housing Entity”, “Housing Partnerships” and “Emergency and Transitional Housing”. 3. Remove regulatory impediments to residential development. The activities involved are outlined in the entry below on “Removing Regulatory Impediments”. 4. Monitor, evaluate and report the progress of the Housing Accord’s implementation. The Council’s role of coordinating these activities is outlined in the entry below on “Monitoring, Evaluating and Reporting”. 	<p><i>Under the Housing Accords and Special Housing Areas Act 2013</i>, local governments can approach the central government to enter into an Accord. The purpose of an Accord is to outline how the two levels of government will work together to improve housing affordability. Addressing the impacts of the earthquakes on social housing, particularly on the Council’s social housing, and on affordable housing is a major reason behind the Accord’s formation.</p> <p>The Accord provides an opportunity to improve housing supply and benefit people in Christchurch seeking social rental housing, affordable rental housing and affordable home ownership.</p> <p>The Accord ends either by termination by either party providing six months notice or when the relevant parts of the Housing Accords and Special Housing Areas Act 2013 are repealed on 16 September 2018.</p>	<p>High</p> <p>The Accord has three aspiration targets:</p> <ol style="list-style-type: none"> 1. A 10% reduction in the number of households at the 40th percentile of household income paying more than 30% of household income on housing 2. An increase in the proportion of new build consents with a value of less than \$250,000 3. 700 (net) additional social housing units are added to the total social housing stock in Christchurch from the date of signing of this Accord to the end of 2016. The 700 are to be supplied by the Council, Housing New Zealand Corporation and non-government social housing providers <p>Council will investigate how it can best contribute to achieving these targets.</p> <p>The Council will develop a housing plan for Christchurch, drawing on the activities under the Housing Accord.</p>	<p>There will be opportunities for consultation and engagement during implementation of the three workstreams of:</p> <ol style="list-style-type: none"> 1. Temporary and affordable housing 2. Social housing 3. Regulatory requirements 	<p>Refer subsequent sections for detail</p>
<p>Housing</p>				<p>Page 24</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord work-stream 1: Affordable and Temporary Housing</p> <p>Under the Housing Accord, the Council will support the Ministry of Business Innovation and Employment's lead role in developing or facilitating the development of temporary and affordable housing.</p> <p>This work includes supporting the MBIE development of affordable housing at the Awatea site at Wigram, and the MBIE development of medium density, medium priced housing at two Council sites at Welles and Colombo Streets. The Government has set aside a contingency of up to \$75 million to support affordable housing projects in Christchurch.</p> <p>The Council is also to identify land it owns that could be used for housing development. The Crown is undertaking the same exercise for land it owns. Should suitable land be identified, there is potential to draw on some of the \$75 million Housing Accord Fund to develop it.</p>	<p>Housing affordability is a nation-wide issue. For Christchurch, both the rental market and home ownership markets were relatively affordable prior to the earthquakes.</p> <p>Since the earthquakes, Christchurch's housing affordability has deteriorated, particular its rental affordability which is now close to Auckland's level.</p> <p>Council activity to support affordable and temporary housing will contribute to an improvement in housing affordability</p> <p>The earthquakes have impacted on housing affordability in several ways:</p> <ol style="list-style-type: none"> 1. A reduction in the number of houses 2. A reduction in houses in the rental market 3. New housing supply dominated by larger housing 4. New housing being more expensive than much of the older housing stock that it is replacing. 	<p>High.</p> <p>The type and level of Council support for the Ministry of Business, Innovation and Employment's lead in this area is to be investigated.</p>	<p>Depending on the extent of Council support, community consultation may be required.</p>	<p>This work will be resourced within the current staffing of the Strategy & Planning Group (funded by rates) and the Housing Unit (funded by the Housing Fund), balanced alongside other Level of Service commitments</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord work-stream 2A: Housing Entity or Entities</p> <p>The Council will establish a non-government entity (Community Housing Provider) to lease the Council's entire social housing portfolio. The Council will hold up to 49% of the ownership in this entity and will seek partner/s to hold the majority shareholding (required as Councils are excluded from IRRS funding through new legislation. These partner/s will be organisations committed to improving the supply of quality social housing).</p> <p>The rents for these leased units would be set in line with the Ministry of Social Development Income Related Rent Subsidy policy</p> <p>It is intended the entity leasing Council social housing will be operational following registration.</p>	<p>The Development and/or Community Housing Provider (CHP) entities are being established to obtain financial sustainability for the Council's social housing portfolio. Revenue for the social housing portfolio is currently derived solely from rents paid by tenants. These rents are below market rents and do not cover costs of tenancy management, maintenance, repairs, replacement and new builds. No rates revenue is accessed to subsidise the portfolio.</p> <p>Financial sustainability for the portfolio will be achieved as the new Community Housing Provider entity will be able to receive full market rents.</p> <p>This will be accomplished via the entity receiving Crown funding in the form of the Income Related Rent Subsidy. This subsidy meets the gap between the market rent for the property and the affordable rent paid by the social housing tenant. Council's social housing cannot obtain the Income Related Rent Subsidy as the legislation prevents this funding for Council owned and managed housing.</p> <p>The Community Housing Provider entity will qualify for Income Related Rent Subsidy as it will be at arm's-length from the Council. To receive the subsidy, the new entity must be registered with the Community Housing Regulatory Authority as a community housing provider. This regulatory authority sits within Ministry of Business, Innovation, and Employment.</p>	<p>Very High.</p> <p>There is a project plan in place to establish the entities and manage the transition of housing assets and tenants to the new entities.</p> <p>Once the Community Housing provider entity is established, oversight of the lease with the entity is required on an on-going basis.</p>	<p>LTP & Annual Plans</p> <p>Tenants, stakeholders and City Housing staff will be engaged throughout establishment of the new entities.</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded by the Housing Fund) and Council's shared services, balanced alongside other Level of Service commitments</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord work-stream 2A: Housing Entity or Entities contd.</p> <p>A development entity and/or a community housing provider will be established to develop Council's social housing portfolio. Responsibilities and scope would include: mixed tenure developments with complementary facilities and services such as retail, office and community purposes; sale and purchase of assets; rebuild; new builds; and site intensification. The proceeds from any sales would be re-invested into sustainable social housing projects. The sales could include assets that are uneconomic, provide opportunities for land swaps that increase the portfolio, and/or sites suitable for intensification or mixed tenure developments.</p> <p>The Council will progressively capitalise the entity with an injection of \$50 million of land and other assets.</p>	<p>The entity would be able to leverage off both the public and private sectors to effectively and efficiently provide social housing developments for Council's portfolio.</p>	<p>Very High.</p> <p>There is a project plan in place to establish the entities and manage the transition of housing assets and tenants to the new entities.</p>	<p>LTP & Annual Plans</p> <p>Tenants, stakeholders and City Housing staff will be engaged throughout establishment of the new entities.</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded by the Housing Fund) and Council's shared services, balanced alongside other Level of Service commitments</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord work-stream 2A: Housing Entity or Entities contd.</p> <p>Establish a Housing Management Board as a subordinate decision making body, with delegated authority to implement the establishment of the Housing Development and/or Community Housing Provider entities, and related initiatives. Primary responsibilities of the Board include the Asset Management of the Social Housing Portfolio and the arrangements with the tenancy management and development entities</p>	<p>A subordinate decision making body enables the appointment of a skills based governance board that can operate within a business framework, efficiently setting direction and making objective decisions to deliver a social outcome for the Council.</p>	<p>Very High.</p> <p>There is a project plan in place to establish the entities and manage the transition of housing assets and tenants to the new entities.</p>	<p>LTP & Annual Plans</p> <p>Tenants, stakeholders and City Housing staff will be engaged throughout establishment of the new entities.</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded by the Housing Fund) and Council's shared services, balanced alongside other Level of Service commitments</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord work-stream 2B: Emergency and Transitional Housing</p> <p>The Council will work with housing and social support agencies to help address the need for transitional and emergency housing and associated support services.</p> <p>Emergency housing is required on short notice and can be for a period of days or weeks.</p> <p>Transitional housing is generally housing for weeks, sometimes months, until the household is ready to transition to longer term housing.</p>	<p>The level of homelessness has increased in Christchurch following the earthquakes. This increase has been verified by the 2013 Census, the increase in applicants for social housing and the increased demand for overnight hostel/refuge accommodation.</p> <p>The response needed to address this increase includes more emergency and transitional housing. This will help address the immediate problem while the supply of longer-term social and affordable rental housing improves.</p> <p>A specific activity is the Council funding, together with the Government through the Ministry of Business, Innovation and Employment, of the refurbishment of a closed Christchurch City Mission refuge. This will provide housing for 3 women and their children at any one time.</p>	<p>High</p> <p>Council to investigate how to most effectively contribute to a wider agency response to the need for emergency and transitional housing and associated support services.</p>	<p>The level of Council involvement in emergency and transitional housing could be the subject of consultation and engagement.</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded by the Housing Fund) and Council's shared services, balanced alongside other Level of Service commitments</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord work-stream 2C</p> <p>Housing Partnerships including collaboration with Housing New Zealand Corporation</p>	<p>The Housing Partnership relates to 17 social housing sites, which are deemed functionally obsolete and are in need of replacement. Council have selected through a tender process 12 social housing partners to work with council to potentially re-develop these complexes</p> <p>The Council is working with the Housing New Zealand Corporation on opportunities to improve processes and reduce costs in developing new social housing.</p>	<p>Medium</p> <p>Council to work with its 12 social housing partners to ensure safe, accessible and affordable social housing.</p> <p>Andrews Crescent and Carey Street complexes are part of the 17 partnership complexes and are also the two Council Exemplar sites under the Land Use Recovery Plan.</p> <p>Council to continue to work with HNZC to develop new social housing either through the partnership programme or other projects.</p>	<p>The level of Council consultation will be determined by the individual projects within the partnership programme.</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded by the Housing Fund) and Council's shared services, balanced alongside other Level of Service commitments</p> <p>Any CAPEX requirements will be delivered from within EQC and insurance settlements and the Social Housing Fund</p>
<p>Housing Accord work-stream 2D: Youth Housing</p> <p>The Council has resolved that under the Accord youth housing is to be a priority. The Council will work with other agencies to help address the need for youth housing with associated support services.</p>	<p>Christchurch has a shortage of housing for young people aged fewer than 25. This shortage pre-dates the earthquakes; however the subsequent reduction in rental property availability has exacerbated the situation. The Council is particularly interested in housing for young people who need support to enter and maintain education, training or work.</p>	<p>High</p> <p>Council to investigate how to most effectively contribute to a wider agency response to the need for youth housing and associated support services.</p>	<p>The level of Council involvement in emergency and transitional housing could be the subject of consultation and engagement</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded by the Housing Fund) and Council's shared services, balanced alongside other Level of Service commitments</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord work-stream 3: Remove Regulatory Impediments</p> <p>The Council will work with the Ministry of Business, Innovation and Employment to assist them with their Awatea, Welles and Colombo Street housing developments (referenced in the Temporary and Affordable Housing entry above).</p> <p>The Council will also investigate setting up a “one stop shop” for planning and consenting to improve the efficiency of its services to developers and builders. If further initiatives are required to improve the supply of affordable housing the Council will investigate whether the declaration of Special Housing Areas would benefit housing affordability in Christchurch.</p>	<p>The central Government is concerned that local government regulatory requirements can act as an impediment to timely housing developments and add to the cost of housing.</p> <p>MBIE is seeking effective input from the Council for its developments at Awatea, Welles and Colombo Streets.</p> <p>The Government views the one-stop shop used by Auckland Council as a potential model for Christchurch City Council to adopt to provide efficient service to developers and builders.</p> <p>Under the Housing Accords and Special Housing Areas Act 2013, local governments can ask the central government to declare Special Housing Areas. Once declared via an Order-in-Council, the Council can access the powers available under the Act to streamline resource consent and plan change approvals for housing developments in those areas.</p>	<p>Medium</p> <p>The Council to investigate whether improvements can be made to their regulatory settings and processes to improve housing affordability. This will include investigating whether improvements can be made on how Council, ECan and NZTA work together.</p> <p>The Council to investigate establishing a one-stop shop, including reviewing Auckland Council’s model.</p> <p>The Council to investigate whether a declaration of Special Housing Areas would benefit housing affordability in Christchurch.</p>	<p>There could be opportunities for consultation and engagement with developers and other interested parties throughout implementation of these activities.</p>	<p>This work will be resourced within the current staffing of the Strategy & Planning Group (funded through rates) alongside other Level of Service commitments</p>

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement	Implications (if any)
<p>Housing Accord Work-Stream 4: Monitor, Evaluate and Report</p> <p>Council has the coordinating role across Council and Government on monitoring, evaluation and reporting on the Accord's implementation.</p> <p>Public reports on the Accord's progress will be produced monthly.</p>	<p>Council needs to be in a position to be assured that the Accord's implementation is progressing and to be able to evaluate the impact of the Accord's implementation.</p>	<p>Medium</p> <p>Council to explore how best to evaluate Accord impact</p>	<p>Consultation and engagement could form part of evaluation of the Accord.</p> <p>Monitoring reports to be publicly available.</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded through the Housing Fund) and Council's shared services, balanced alongside other Level of Service commitments</p>
<p>Future of Temporary Villages at Linwood and Rawhiti Reserves</p> <p>Council to consider their interest, if any, in acquiring the village units at the Linwood and Rawhiti Reserves. Linwood has 42 units and Rawhiti 20, of mixed bedroom sizes.</p>	<p>MBIE operates these villages as temporary housing for residents displaced while their home is being repaired or rebuilt (due to the earthquakes). Their usage on the reserves is due to expire in April 2016.</p> <p>MBIE is interested in entering into discussions with CCC about the potential future use of the units (on or off their current site).</p> <p>There could be an opportunity for the Council to acquire the units for housing purposes.</p>	<p>Medium</p> <p>Council to investigate their interest in these village units and on what terms it may acquire them for housing use.</p>	<p>There may be opportunities for consultation and engagement, dependent on whether Council is interested in acquiring the units.</p>	<p>This work will be resourced within the current staffing of the Housing Unit (funded through the Housing Fund) and Strategy & Planning Group (funded through rates) alongside other Level of Service commitments</p>

3 Activity description

3.1 Focusing on what we want to achieve

Council undertakes activities in order to deliver on the community outcomes for Christchurch. The outcomes sought for the housing activity are:

- There are affordable housing options in Christchurch
- Christchurch has a range of housing types
- Christchurch has good quality housing
- There is sufficient housing to accommodate residents

The outcomes sought for the Council's social housing portfolio are:

- Financial sustainability
- Safe, accessible, affordable and good quality housing is available to people on low incomes, including elderly persons and people with disabilities who are unable to access the private market or other housing providers
- Tenants have a sense of connection that enables them to participate in a wide variety of activities

3.2 How we will know we are achieving the outcomes

We will know we are achieving the above outcomes when we see the following results:

- **Social housing and tenancy services are available for low income people**, who are unable to access the private rental market or other housing providers from the government and non-government sectors.
- An increased amount of **emergency and transitional housing** is available for people in urgent need
- An increased amount of housing is available for **young people**
- An increased amount of **affordable housing** is available
- **Good quality social housing** is maintained, repaired, replaced and built
- **The rental revenue for the Council's social housing** is sufficient to cover costs of repairs, maintenance and stock replacement
- **Social housing tenants** have a **sense of community connection** and participate in a wide range of activities.

The activities that follow in section 4 and the levels of service within them are all linked to the above results to ensure Council's stays focused on moving towards the community outcomes. This link aims to confirm why we are doing the activities – that they will realistically move us closer to our goals – and that service delivery remains relevant to strategic direction.

3.3 What services we provide

For Council's social housing, this activity includes the following services:

- Social Housing Complexes
- Social Housing Tenancy Services
- Housing Accord Services
- Affordable Housing Services
- Emergency/Transitional Housing Services
- Housing Policy

Issues addressed within these services include:

Housing Accord Services

- Establishment of a new entity that can be registered as a Community Housing Provider and obtain the Income Related Rent Subsidy
- Working with partner agencies to improve efficiencies and reduce costs in redevelopments and new housing developments
- Investigating regulatory requirements to ensure they are not acting as impediments to affordable housing developments
- Monitor, report and evaluate the progress of the Housing Accord

Affordable Housing Services

- Supporting the Ministry of Business, Innovation and Employment to undertake or facilitate affordable housing developments

Emergency/Transitional Housing Services

- Working with other agencies to help address the need for emergency and transitional housing
- Working with other agencies to help address the need for youth housing with associated support services

Housing Policy

- Considering the potential of Special Housing Areas

Legislative

The council has legislative responsibilities under the LGA.

A complete description of the assets included in the Social Housing activity is in Appendix B.

The Council is participating in a Housing Accord with the Government under the Social Housing Reform 2013 (an amendment to the Housing Restructuring and Tenancy Matters Act 1992), and the Housing Accords and Special Housing Areas Act 2013.

3.4 Our key customers

Individuals

People on low incomes including older people and people with disabilities, neighbours and communities adjacent to social, emergency and affordable housing

Community and city wide

Community base organisations including other social housing providers and advocates

National and international

National and international housing NGOs along with government with whom have responsibilities for housing people on low incomes.

3.5 Key legislation and Council strategies

Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Principal Act 1992
Residential Tenancies Act 1986
Canterbury Earthquake Recovery Act 2011 (CERA)
Building Act 2004

Building Amendment Act 2013
New Zealand Bill of Rights Act 1990
Human Rights Act 1993
Privacy Act 1993
Rating Valuations Act 1998
Land Act 1948
Reserves and Other Lands Disposal Act 1958
Land Transfer Act 1952
Land Transfer (Computer Registers and Electronic Lodgment) Amendment Act 2002
Housing Accords and Special Housing Areas Act 2013
Resource Management Act (RMA) 1991
Local Government Act 2002
(amendment 2014)
Affordable Housing: Enabling Territorial Authorities Act 2008
Reserves Act 1977
Public Works Act 1981
Building Amendment Act 2012
Weather tight Homes Resolution Services Act 2006
Property Law Act 1952
Housing Act 1955
Health Act 1956
Social Security Act 1964
Unit Titles Act 1972
Housing Corporation Act 1974
Public Finance Act 1989
Housing Assets Transfer 1993
Fire Service Act 1975
Fencing Act 1978
Contractual Remedies Act 1979
Fire Safety and Evacuation of Buildings Regulations 2006
Health and Safety in Employment Act 1992
Earthquake Commission Act 1993
Consumer Guarantees Act 1993
Historic Places Act 1993
Health and Disability Services (Safety) Act 2001
Health and Disability Commissioner Act 1994
Hazardous substances and New Organisms Act 1996

4 Levels of service and performance measures

Table 4-1 summarises the levels of service and performance measures for the Housing activity. Shaded rows are the levels of service and performance measures to be included in the Long Term Plan. Non-shaded rows are non-LTP management level measures, agreed with and reported to Council but not included as part of the community consulted document.

Table 4-1

Performance Standards Levels of Service (we provide)	Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
					Year 1	Year 2	Year 3		
					2015/16	2016/17	2017/18		
Social Housing complexes									
18.0.1	Provide a portfolio of Social Housing rental units that are fit for purpose	<p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	<p><i>The housing units that are open and available for tenants achieves the target for the start and end of the reporting period</i></p>	<p><i>2231 housing units</i></p> <p><i>Council housing stock was 2649 rental units and 28 owner / occupier units (pre earthquake).</i></p> <p><i>Current housing stock open is 2231. 75 closed units can be repaired, and 49 units are committed to be built and 11 owner occupier units remain to be reacquired</i></p>	<p><i>Wellington City Council has 2184 rental units.</i></p> <p><i>Dunedin City Council has 92 sites with 941 rental units.</i></p>	<p>Maintain at least 2,270 units in Council Housing Portfolio and increase to at least 2,347 by year end (subject to contractor availability, Council rebuild priorities and timing of owner occupier unit acquisitions)</p>	<p>Maintain at least 2,347 units in Council Housing Portfolio and increase to at least 2,363 by year end (schedule subject to contractor availability, Council rebuild priorities and timing of owner occupier unit acquisitions)</p>	<p>Maintain at least 2,363 units in Council Housing Portfolio and increase to at least 2,366 by year end (schedule subject to contractor availability, Council rebuild priorities and timing of owner occupier unit acquisitions)</p>	<p>Maintain at least 2,366 units in Council Housing Portfolio</p>

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
						Year 1	Year 2	Year 3		
						2015/16	2016/17	2017/18		
18.0.2 (new)	Deliver a rebuild programme to improve housing quality	<p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	18.0.2.1	2.4.15.1	<p><i>None Available. Council Social Housing Rebuild programme including insurance processes are unique</i></p>	18.0.2.1	18.0.2.1	18.0.2.1	18.0.2.1	
			<p><i>Rebuild and repair strategy reported to Council</i></p> <p><i>Community Facilities Rebuild Programme rebuilds and repairs units to meet LOS.</i></p> <p><i>Includes:</i></p> <p><i>rebuilding units at:</i></p> <ul style="list-style-type: none"> <i>· Maurice Carter Courts</i> <i>· Harman Courts</i> <i>· Berwick Courts</i> <i>· Knightsbridge Lane</i> <p><i>repairing 75 closed units</i></p>	<p><i>Community Facilities Rebuild Programme has rebuilt and repaired 394 units to date</i></p>		<p>Repair and rebuild of facilities undertaken as per the agreed Community Facilities Rebuild programme (schedule subject to contractor availability and Council rebuild priorities)</p>	<p>Repair and rebuild of facilities undertaken as per the agreed Community Facilities Rebuild programme (schedule subject to contractor availability and Council rebuild priorities)</p>	<p>Repair and rebuild of facilities undertaken as per the agreed Community Facilities Rebuild programme (schedule subject to contractor availability and Council rebuild priorities)</p>	<p>Community Facilities Rebuild Programme will be concluded</p>	
			18.0.2.2	18.0.2.2		<p><i>Of original 28 Owner Occupied Units Council now owns 17</i></p>	<p>18.0.2.2</p>	18.0.2.2	18.0.2.2	18.0.2.2
18.0.2.3	18.0.2.3	<p><i>Exemplar/partnership programmes completed with business cases and reports presented to Council for consideration and approval</i></p>	18.0.2.3	<p><i>Two exemplars Request For Proposals will be completed 2014/15</i></p>	<p><i>None available Land Use Recovery Programme unique to Christchurch</i></p>	18.0.2.3	18.0.2.3	18.0.2.3	18.0.2.3	<p>Future exemplar and partnership programme to be agreed with Council</p>

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.3 (new)	Identify options for Council to implement a National Rental Housing WOF programme	<p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	18.0.3.1 <i>Reports and/or business cases are submitted to Council for consideration and approval</i>	18.0.3.1 <i>Level of Service is a new performance standard for Council</i>	<i>Best practice metrics will be established with other community housing providers</i>	18.0.3.1 Housing WOF programme implemented for Council Portfolio			

Performance Standards Levels of Service (we provide)	Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
					Year 1	Year 2	Year 3		
					2015/16	2016/17	2017/18		
Social Housing Tenancy Services									
18.0.4	Ensure tenants of Council housing complexes are well housed	<i>Social housing and tenancy services are available for low income people and fully utilised</i>	<i>The average occupancy % of each month exceeds the target for the reporting period</i> (occupancy rate based on units available to be tenanted exclusive of repair and maintenance schedules)	<i>2013/14: 97% 2012/13: 98% 2011/12: 98% 2010/11: 98% 2009/10: 98% 2008/09: 96%</i>	<i>Housing New Zealand has a target Occupancy rate of 96% Wellington City Council has a target Occupancy rate of 90% Dunedin City Council has a Target Occupancy rate of 94% Auckland Council Property Limited target is 5% maximum vacancy average across the year</i>	18.0.4.1 At least 97% average occupancy rate in Council housing (occupancy rate based on units available to be tenanted exclusive of repair and maintenance schedules)	18.0.4.1 At least 97% average occupancy rate in Council housing (occupancy rate based on units available to be tenanted exclusive of repair and maintenance schedules)		

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.4 (cont'd)	Ensure tenants of Council housing complexes are well housed	<i>Social housing tenants have a sense of community connection and participate in a wide range of activities</i>	18.0.4.2 Social housing tenants participate in a range of programmes and activities such as providing recreational, educational, emergency preparedness courses promoting tenant participation and inclusiveness	18.0.4.2 45%	<i>Best practice metrics will be established with other community housing providers</i>	18.0.4.2 At least 30% of tenants participate in activities service	18.0.4.2 At least 30% of tenants participate in activities service		
				18.0.4.3 <i>New</i>		18.0.4.3 At least 300 programmes and activities delivered per annum	18.0.4.3 At least 300 programmes and activities delivered per annum		
				18.0.4.4 <i>New</i>		18.0.4.4 At least an extra 15% of activities are facilitated by non-council organisations	18.0.4.4 At least an extra 15% of activities are facilitated by non-council organisations		

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.4 (cont'd)	Ensure tenants of Council housing complexes are well housed	<i>Christchurch has good quality housing</i>	18.0.4.5 <i>Energy efficient measures are implemented in Council housing stock as reported by the community Energy efficiency agency</i>	18.0.4.5 <i>150 units completed to date. Aim for a further 300 by 30 June 2015. Total 450 by year end.</i>	18.0.4.5 <i>Best practice metrics will be established with other community housing providers</i>	18.0.4.5 At least 300 houses have their energy efficiency improved over the first three years of the LTP			18.0.4.5 To be determined dependent upon funding streams
18.0.5	Tenants of Council housing are satisfied with quality of tenancy service provided	<i>Christchurch has good quality housing benchmarked against others nationwide</i>	18.0.5.1 <i>Tenant satisfaction with quality of tenancy service provided surveyed annually providing a national benchmark</i>	18.0.5.1 2013/14: 76% 2012/13: 77% 2011/12: 78% 2010/11: NA 2009/10: 70% 2008/09: 88% 2007/08: 86%	18.0.5.1 <i>Wellington City Council has a target of 90%</i> <i>Dunedin City Council has a target of 95%.</i> <i>New Plymouth District Council has a target of 90%</i>	18.0.5.1 At least 80% of tenants are satisfied with the quality of the tenancy service provided.	18.0.5.1 At least 80% of tenants are satisfied with the quality of the tenancy service provided.		
			18.0.5.2 <i>Tenant satisfaction with condition of the unit provided surveyed annually providing a national benchmark</i>	18.0.5.2 2013/14: 69% 2012/13: new measure	18.0.5.2 <i>Wellington City Council has a target of 85%</i>	18.0.5.2 At least 80% of Council housing tenants are satisfied with overall condition of their unit.	18.0.5.2 At least 80% of Council housing tenants are satisfied with overall condition of their unit.		

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.6	Generate housing options for vulnerable sectors of community through partnerships	<p><i>There are emergency and transitional housing options in Christchurch</i></p> <p><i>There are housing options to accommodate young people</i></p> <p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p> <p><i>Social Housing Strategy 2007 - Goal 1 "Partnership"</i></p> <p><i>Developing and sustaining partnerships and relationships which contribute to social housing provision in Christchurch, fostering opportunities for tenant well-being and community integration</i></p>	18.0.6.1 <i>Partner satisfaction with relationship with Council surveyed annually providing a national benchmark</i>	18.0.6.1 2013/14: 89%	18.0.6.1 <i>Wellington City Council set a target of 90% of Community groups satisfied with council relationships.</i> <i>New Plymouth District Council has set a target to exceed the peer group average of residents satisfied with Council assistance and support to Community groups, NRB Survey of Councils</i>	18.0.6.1 At least 90% of social housing partnerships are satisfied with their relationship with Council.	18.0.6.1 At least 90% of social housing partnerships are satisfied with their relationship with Council.	18.0.6.1 At least 90% of social housing partnerships are satisfied with their relationship with Council.	18.0.6.1 At least 90% of social housing partnerships are satisfied with their relationship with Council.

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.7	Maintain Council housing rentals at an affordable level and continue to be rates neutral	<p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Consistent with the cost of consumption model, rents are adjusted annually to ensure the sustainability of the service and affordable for tenants</i></p>	18.0.7.1 <i>Business case proposals presented to Council for consideration and approval annually</i>	<p>18.0.7.1</p> <p>2014/15: <i>Bedsit \$102.60</i></p> <p><i>Studio \$108.50;</i></p> <p><i>1 Bed \$111.90 - \$162.10;</i></p> <p><i>2 Bed \$166.60 - \$187.20;</i></p> <p><i>3 Bed \$205.30 - \$247.20;</i></p> <p><i>4 Bed \$273</i></p> <p><i>Banks Peninsula</i></p> <p><i>1 bed \$66.50 - \$102.60</i></p> <p><i>2013/14: 55% of market rate</i></p> <p><i>2012/13: 56% of market rate</i></p> <p><i>2011/12: 63% of market rate</i></p>	<p>18.0.7.1</p> <p><i>Dunedin Rent List:</i></p> <p><i>Bedsit: \$104.50</i></p> <p><i>Single (partitioned flat) \$106.60</i></p> <p><i>Single (separate flat) \$110.70</i></p> <p><i>Double (partitioned flat) \$149.00</i></p> <p><i>Double (separate flat) \$154.20</i></p> <p><i>1 Bedroom \$162.50</i></p> <p><i>2 Bedroom \$190.40</i></p> <p><i>Wellington Average Rents</i></p> <p><i>Studio Unit \$119-\$154</i></p> <p><i>One bedroom \$157 - \$245</i></p> <p><i>Two bedroom \$189 - \$315</i></p> <p><i>Three bedroom \$252 - \$390</i></p> <p><i>Four bedroom \$329 - \$455</i></p>	18.0.7.1	Council housing rents are set annually using a cost of consumption model, or if the portfolio is leased to a Community Housing Provider the rents will be set in line with the Ministry of Social Development Income Related Rent Subsidy policy		

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.8	Minimise arrears from Council social housing tenancies	<p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Social Housing Strategy 2007 - Goal 7 "Sustainability"</i></p> <p><i>Council operates a social housing service that is both financially sustainable for Council and financially affordable for tenants.</i></p> <p><i>City Housing ensures that the service is financially sustainable through the timely collection of rent.</i></p>	18.0.8.1 <i>The value of total current debt each month end for the reporting period</i>	18.0.8.1 2013/14: \$36,000	18.0.8.1 <i>Wellington City Council has a target of under \$124,000 of current rent and tenant liability arrears.</i> <i>Auckland Property Council Limited target is 5% maximum</i>	18.0.8.1 Less than \$40,000 of total current debt across all Council housing units.			

Performance Standards Levels of Service (we provide)	Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
					Year 1	Year 2	Year 3		
					2015/16	2016/17	2017/18		
Housing Accord Services									
18.0.9 (new)	Deliver the Council's responsibility within the Housing Accord	<p><i>There are emergency and transitional housing options in Christchurch</i></p> <p><i>There are housing options to accommodate young people</i></p> <p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	18.0.9.1 Project milestones managed for performance and achieved Councils responsibilities as agreed within and through the Accord reported to Council	18.0.9.1 <i>LoS is a new performance standard for Council</i>	18.0.9.1 <i>None available as each Housing Accord is unique</i>	18.0.9.1 Deliver Councils responsibilities as agreed within and through the Accord	18.0.9.1 Deliver Councils responsibilities as agreed within and through the Accord	18.0.9.1 Deliver Councils responsibilities as agreed within and through the Accord	18.0.9.1 Future performance targets will be agreed upon conclusion of current Housing Accord targets

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.10 (new)	Establish a Housing Management Board that will establish, manage and operate collaboratively with new Housing Entities	<p><i>There are emergency and transitional housing options in Christchurch</i></p> <p><i>There are housing options to accommodate young people</i></p> <p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	<p><i>Project milestones managed for performance and achieved</i></p> <p><i>Housing Management Board & Entities established. Final reports, plans and policies presented to Council and/or Housing Management Board for consideration and approval</i></p> <p><i>Council, through delegation to the Housing Management Board contracts the Entity or Entities to deliver Levels of Service on behalf of Council.</i></p>	<p><i>18.0.10.1</i> <i>LoS is a new performance standard for Council</i></p> <p><i>18.0.10.2</i> <i>LoS is a new performance standard for Council</i></p> <p><i>18.0.10.3</i> <i>LoS is a new performance standard for Council</i></p> <p><i>18.0.10.4</i> <i>LoS is a new performance standard for Council</i></p>	<p><i>18.0.10.1</i> Best practice metrics will be applied to the structure implemented</p> <p><i>18.0.10.2</i> None available as Council leasing its social housing portfolio to an entity has not occurred previously in NZ</p> <p><i>18.0.10.3</i> Best practice metrics will be established with other community housing providers</p> <p><i>18.0.10.4</i> Performance and process audited</p>	<p>18.0.10.1 Housing Management Board established 18.0.10.2 Housing Development Entity and/or a Community Housing Provider established</p> <p>18.0.10.3 HMB manages on behalf of Council the delivery of the Social Housing Complexes and Tenancy Services Levels of Service and Performance Targets</p> <p>18.0.10.4 Progressively capitalise the entity or entities with \$50 million of land and other assets.</p>			

Performance Standards Levels of Service (we provide)	Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
					Year 1	Year 2	Year 3		
					2015/16	2016/17	2017/18		
Affordable Housing Services									
18.0.11 (new)	Support the development of affordable housing	<p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	18.0.11.1 <i>Reports and/or business cases are submitted to Council for approval</i>	18.0.11.1 <i>Level of Service is a new performance standard for Council</i>	<i>Best practice metrics will be established with other community housing providers and Councils</i>	18.0.11.1 Deliver Council 's Housing Accord responsibilities that will achieve a 10% reduction in the number of households at the 40 th percentile of household income paying more than 30% of household income on housing by the conclusion of the accord	18.0.11.1 Deliver Council 's Housing Accord responsibilities that will achieve a 10% reduction in the number of households at the 40 th percentile of household income paying more than 30% of household income on housing by the conclusion of the accord	18.0.11.1 Deliver Council 's Housing Accord responsibilities that will achieve a 10% reduction in the number of households at the 40 th percentile of household income paying more than 30% of household income on housing by the conclusion of the accord	18.0.11.1 Future performance targets will be agreed in light of future analysis

Performance Standards Levels of Service (we provide)	Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
					Year 1	Year 2	Year 3		
					2015/16	2016/17	2017/18		
Emergency/Transitional Housing Services									
18.0.12 (new)	Identify options for Council to support the development of more emergency housing	<p><i>There are emergency and transitional housing options in Christchurch</i></p> <p><i>There are housing options to accommodate young people</i></p> <p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	18.0.12.1 <i>Reports and/or business cases are submitted to Council for consideration and approval</i>	18.0.12.1 <i>LoS is a new performance standard for Council</i>	<i>Best practice metrics will be established with other community housing providers</i>	18.0.12.1 Facilitate at least 60 additional home spaces are provided in Christchurch over the first three years of the 2015/25 LTP	18.0.12.1 Facilitate at least 60 additional home spaces are provided in Christchurch over the first three years of the 2015/25 LTP	18.0.12.1 Facilitate at least 60 additional home spaces are provided in Christchurch over the first three years of the 2015/25 LTP	18.0.12.1 Future performance targets will be set in light of an updated supply and demand analysis

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
18.0.13 (new)	Identify options for Council to facilitate the development of Youth Housing	<p><i>There are emergency and transitional housing options in Christchurch</i></p> <p><i>There are housing options to accommodate young people</i></p> <p><i>There are temporary and affordable housing options in Christchurch</i></p> <p><i>Christchurch has a range of housing types</i></p> <p><i>Christchurch has good quality housing</i></p> <p><i>There is sufficient housing to accommodate residents</i></p>	<p>18.0.13.1</p> <p><i>Reports and/or business cases are submitted to Council for consideration and approval</i></p>	<p>18.0.13.1</p> <p><i>Level of Service is a new performance standard for Council</i></p>	<p><i>Best practice metrics will be established with other community housing providers</i></p> <p>Facilitation service plan established</p>	<p>18.0.13.1</p> <p>Outcome targets achieved as approved by Council</p>	<p>18.0.13.1</p> <p>Outcome targets achieved as approved by Council</p>	<p>18.0.13.1</p> <p>Outcome targets achieved as approved by Council</p>	<p>18.0.13.1</p> <p>Outcome targets achieved as approved by Council</p>

5 Review of cost effectiveness - regulatory functions and service delivery

The Local Government Act requires local authorities to review the cost effectiveness of current arrangements for delivering its services and regulatory functions

A review need not be undertaken if

- Delivery is governed by legislation, contract or other binding agreement that cannot be reasonably altered in the next two years.
- The benefits to be gained do not justify the cost of the review.

A review must be undertaken

- In conjunction with the consideration of any significant change to service levels
- Within two years before the expiry of any legislation, contract or other binding agreement affecting the service
- Not later than 6 years after any previous review.

A review must consider each of options 1 to 9 in the table below. Option 10 is discretionary.

Governance	Funding	Delivery	Option
CCC	CCC	CCC	1
CCC	CCC	CCO (CCC sole shareholder)	2
		CCO (CCC one of several shareholders)	3
		Other local authority	4
		Other person or agency	5
Joint Committee / Shared Governance	Joint Committee / Shared Governance	CCO (CCC sole shareholder)	6
		CCO (CCC one of several shareholders)	7
		Other local authority	8
		Other person or agency	9
Other arrangement	Other arrangement	CCC or other arrangement	10

Table 6

This section considers reviews for regulatory functions and service delivery. Reviews for infrastructure delivery are considered in Section 7 of this plan

Service: Social Housing Complexes - Provide a portfolio of Social Housing rental units that are fit for purpose

Current Arrangements			
Governance	Funding	Delivery	Estimated Cost
CCC	CCC	CCC	\$10,000

Service: Housing Accord Services - Support the establishment of, and operate collaboratively with, a Social Housing Entity

Current Arrangements			
Governance	Funding	Delivery	Estimated Cost
CCC	CCC	CCC	\$50,000

6 Long Term Infrastructure Strategy

Council's planning for Social Housing assets have been underpinned by the Social Housing Strategy 2007. Significant structural changes have occurred within the social housing sector over recent years and combined with the direct and consequential effects of the 2010/2011 earthquakes alternate tactics and strategies are currently being contemplated by Council.

6.1 Issues, principles and implications

Changes to the Local Government Act now require local authorities to assess and consider their long term infrastructure strategy and their financial position over at least a 30-year timeframe. A key component of such a strategy is the planning for the maintenance and investment in assets needed to maintain appropriate levels of service.

The formal infrastructure strategy must cover 5 mandatory infrastructure activities, with additional built assets considered as appropriate. Social housing is not one of the 5 mandatory activities however their asset bases extend well beyond 30 years. As such these assets contribute to the long term financial position of Council and funding issues associated with inter-generational equity.

The Local Government Act requires Council to identify and manage risks associated with a decline in the level of service. Over many years Council has viewed the need for social housing as being a service that should be maintained for all future generations. Studies of the NZ housing stock in the 1990's identified an average morbidity of 90 years. In response Council has for the last 11 years modelled the viability of the service around a rolling 90 year financial forecast that allows for all costs of ownership and operation to be allowed for, including the replacement of housing stock at roughly 90 years of age.

To ensure that timely, well supported and well understood investment decisions are made Council needs to

- Provide early warning of investment gaps or risky levels of infrastructure-related expenditure.
- provide a high level overview of issues, options and implications, particularly relating to expenditure
- Take into account renewals, demographic growth, other demand variables, levels of service changes and resilience to natural and man-made hazards.

6.2 Background to the current provision of Social Housing.

Housing assets if well maintained have the potential to last many centuries. In NZ poor maintenance and issues around functional obsolescence and rising land values have over time resulted in housing stock being demolished well short of their physical lives. A study in the 1990's identified the average economic life of NZ housing stock as being approximately 90 years. On this basis the following graphic shows most of the portfolio is close to half way through its anticipated economic life.

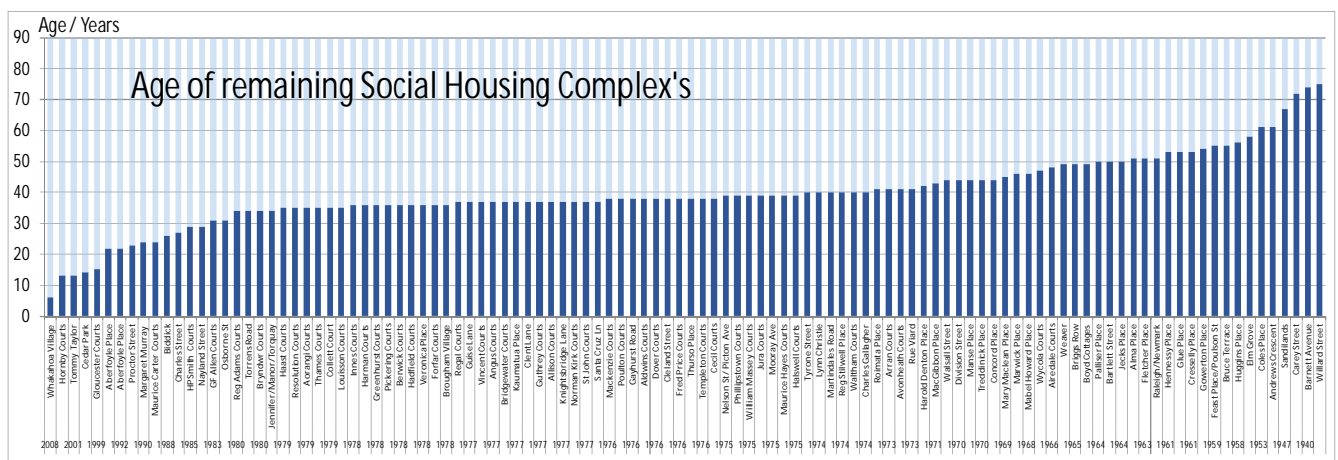


Figure 12

It would be reasonable to expect accumulated depreciation (collected from tenants over 30 - 40 years) would have grown too well in excess of \$80 million. The net balance of the fund in 2003 actually sat below \$5 million.

In 1989 six councils were amalgamated as Christchurch City Council. The nature and standard of social housing varied considerably. Most housing was transferred to Christchurch City Council with no depreciation reserves. The same issue arose when Banks Peninsula District Council was amalgamated in 2006.

A significant portion of the 'lost' replacement funds were also spent in past decades on increasing the standard of accommodation and expanding the service in years where cash flows were positive. The consequence is that it forced higher rents on future (now current) generations of tenants than may otherwise have been required.

Council's involvement in social housing dates back to the beginning of the 20th century. The oldest housing stock now open dates from 1939 however, approximately 80% of the portfolio was built between 1960 and 1980. As shown in the following graphic, over 50% of the stock was built between 1970 and 1980. Much of this was funded by Government grants or low interest loans, with Council generally providing the land.

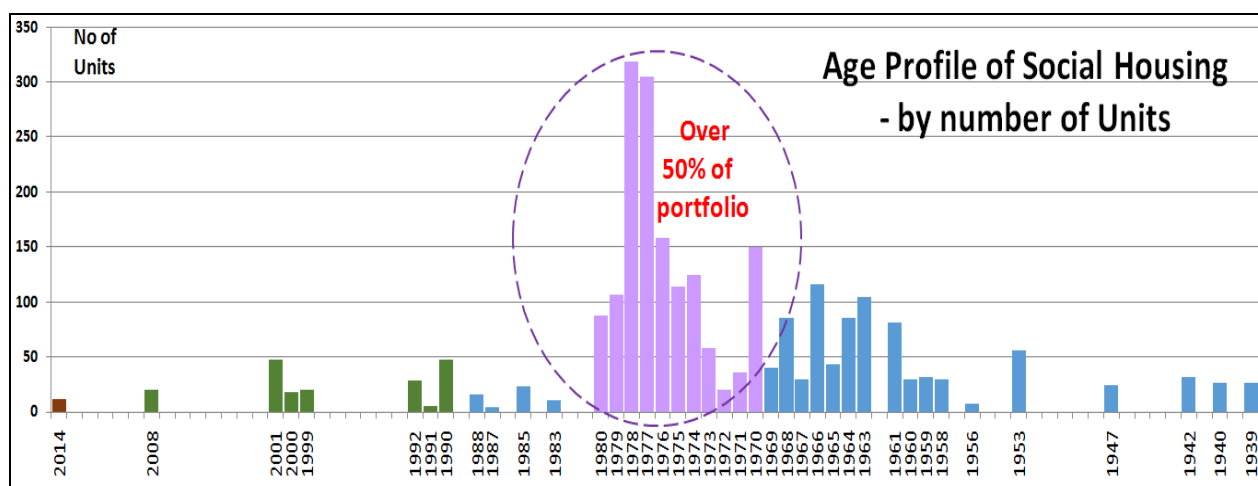


Figure 13

From the late 1980's Government began changing its approach to social housing. By the early 1990's funding moved from direct support for the provider of social housing to indirect support via the tenant.

The concentrated period of development created a very uneven requirement for lifecycle expenditure over the life of the assets. In the initial decades revenue required expenditure was low. The units shown green were largely funded by depreciation allowances that at the time were perceived as a surplus.

The intent may have seemed pro-active and sensible (when significant funds have accumulated) it ignores the pre-commitment to looking after what you already have. Schedule 10 of the Local Government Act 2002 was designed specifically to raise awareness of issues such as 'intergenerational equity' and force Council's to identify long term funding requirements associated with maintaining an existing asset base and / or expanding a service. Data and analysis over the last 10 to 15 years also mean we no longer have a lack of knowledge or understanding of these risks and the need to either mitigate or fund these.

By the late 1990's Council did acknowledged these developments had/were using funds tagged for long term maintenance, renewals and replacement. They were termed as early replacements for aging stock. Councillors hoped that returns from new rental revenue would cover future commitments. However, over subsequent decades costs have risen dramatically but rents have either been frozen or increased at only a modest level. The anticipated and required net returns have not eventuated.

In 2002 consultation and workshops with councillors and stakeholders resulted in agreement on a range of property specific levels of service. This informed the 2003 Asset Management Plan and the development of the Cost of Consumption (CoC) financial model.

The CoC cash-flow model is in its simplest form a budget that considers all expenditure and income over a given period of time to determine if there is a shortfall or surplus. In 2002 this showed a significant shortfall and gave rise to a significant rent increase, the first in 9 years. This helped fund an ongoing program of work to deliver more homogenous/consistent levels of service to all tenants. The model used a rate of return set at zero (no profit) but allowed for the accumulation of targeted savings required to fund the anticipated spikes in asset expenditure and to make provision for the replacement of units at an average age of 90 yrs.

It was agreed that without funds retained in a 'retirement fund' (for a long period) future rent increases would become prohibitive and/or the social housing service would fail to be self-sustaining. Around the world similar social housing services have hit asset based 'lifecycle' spikes of expenditure that have forced closures, sales or other drastic actions in response to a lack of money being set aside for such expenditure.

Forecasting future costs is not a pure science. It utilises a mix of facts, trends and reasoned assumptions. These all need to be reviewed regularly to align the forecast with reality or new information. The 2003 rental policy stated that on an annual basis the rent would be the higher of either CPI or a revised CoC.

Since 1999 CPI and CGPI (Capital Goods Price Index) has averaged approx 2% growth per year. A more targeted housing related CGPI shows housing construction inflation of 4.16 % per year (over the same period). Houses built today are around 70% more expensive than in 1999

The graph in Figure 14 however shows that from 2003 to 2008 housing costs rose very dramatically - 39%, over 4 to 5 years. This was fuelled by a mix of local and international material and labour costs, in tandem with an expansion in the availability of credit and a speculative property boom.

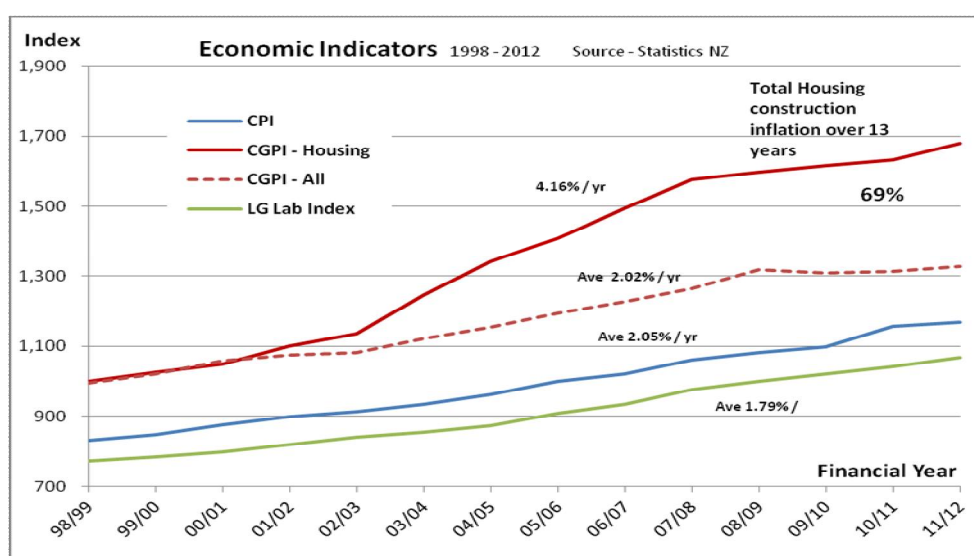


Figure 14

The intent of the CPI increase was not anticipated to completely mitigate the risk associated with cost inflation. It was aimed at keeping tenants used to small increase every year and hopefully build the fund in low inflation times to off-set more significant rent increases that may be required during 'construction booms'.

This approach was only partly implemented. Due to the size of the initial increase for some tenants a 2 year stepped rent was applied. The CoC calculations completed in 2005 and 2006 recommended increases of 13% and then 18%. These were not acted on for a variety of reasons. Instead the CPI increase was applied.

However, by late 2007 it became apparent that construction based costs had escalated dramatically and a significant rent increase would be required. The CoC was applied in 2008 and the resulting funding gap identified the need for a 24% rent increase. This equated to an increase of \$22 per wk for an average 1 bedroom Unit. The Accommodation Supplement available to almost all City Housing tenants covered most of this increase (\$15) leaving the net effect on tenants of under \$7 / week. The proposed increase was unanimously accepted by Council.

A legal challenge over turned the rent increase - largely as council had not consulted tenants on whether they wanted a rent increase or sought specific assistance from government or other sources. The need for additional funding did not change and the subsequent analysis in 2009 showed the new rent increase needed to be 31%, making up the shortfall not collected in 2008 and allowing for another year of inflation.

Following a Special Consultative Procedure (SCP) the need for the 31% rent increase was approved in principle, with an initial increase of 14% and the balance to be applied over 5 years - pending the outcome of a request for direct funding from Government and public consultation targeting tenants, other stakeholder groups and the general public.

A key driver for this decision was the desire to reduce the 'shock' of the significant rent increase for tenants by staging it. This also allowed Council further time to approach government for funding and to investigate cost savings or other means of funding. Council acknowledged that the stepped rental resulted in higher long term rents ultimately being required but that this was a necessary outcome of the need to transition tenants to the required rental level. The government rejected an approach for direct funding assistance. Council convened a joint working group identified as problem solvers who might contribute innovative ideas on the challenges faced by the housing service and/or identify alternate sources of funding to cover the replacement of the portfolio, without this expense falling fully on the tenants.

This group included representatives from Ngai Tahu, Canterbury Community Trust, government departments such as Social Development, Housing and Health, Tangata Whenua and leaders from the community and voluntary sectors.

One of the immediate challenges facing the service was the need for a 'mid-life' refurbishment to make the housing stock 'fit-for-purpose' for a further 40 to 50 years. Some latitude exists on the specific timing of these works however when you view the cash flow over the long term the expenditure is inevitable. Deferring works in some cases makes modest improvements to the cash flow but also exposes tenants to a reduced level of service (e.g. roof leaking) or increased costs (e.g. increased reactive maintenance/increased pre-paint maintenance due to rotting weatherboards).

Over and above normal annual expenditure, \$40 to \$50 million was needed to fund the major works program that was scheduled for between 2015 and 2020 (refer graph in Figure 15 from 2008 review). Additional revenues from the rent increase plus all existing funds in the Housing Development Fund were intended to partly fund these works programs.

The balance of financing for the 'mid-life' spends was to come from debt, with the additional rent also funding interest charges (on the above borrowing) and repayment of the debt. The debt was modelled on being paid off within 10 years before the extra rent was reallocated towards longer term renewal and replacement expenditure.

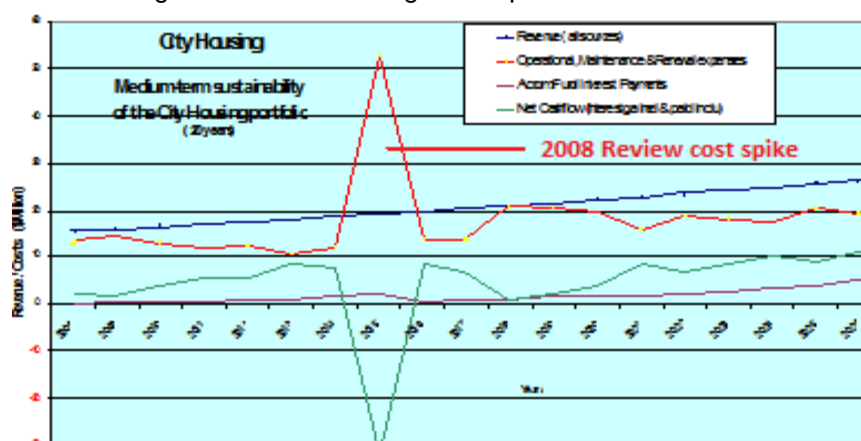


Figure 15

Although there was wide ranging discussion, the working group was unable to identify any feasible options, other than receiving grants or selling assets to release funds.

With no additional funding support from central government and no initiatives forthcoming from stakeholder groups Council confirmed its intent to proceed with the stepped rental as agreed in 2009. The second year of the stepped rent increase (2010/11) was for 5.7% - the first increases of 14% already being in place.

The 5.7% was subsequently reduced to 4.3% following savings due to efficiency gains associated with City Care's contract negotiations. No inflation provision was made for either of the first two years.

The remainder of the stepped rental was a planned increase of 2.8% per year for 4 years (11/12 to 14/15). Each of these rent increases were also subject to an adjustment for Capital Goods Index (CGPI) a measure intended to help mitigate the potential for inflationary forces reducing the buying power of the service.

In 2010 Government increased GST by 2.5%. This added in over \$300,000 to the cost of running City Housing. Residential rents are GST exempt so Council cannot claim back any GST content on expenditure. With a fixed rent increase the additional cost could not be passed on to tenants. This non-claimable GST component adds cost to the housing service, even where no inflation has occurred. Where inflation does occur this is magnified across all expenditure areas as a result of the change. Accordingly, the financial viability of the portfolio was already being eroded before the earthquakes.

6.3 The impact of earthquakes it has had on social housing.

The earthquake has had a wide reaching impact on the portfolio. Some of these are specific and quantifiable while others are intertwined with other general cost increases. For example, insurance, rates and general construction costs have all gone up since the earthquake and in effect have now become business as usual for the foreseeable future. Increases in annual costs have a proportionally larger impact on the long term viability of the housing service relative to single one off events. These cost increases are discussed further in section 11.

Prior to the earthquakes, the portfolio had 2,649 units across 114 complexes. A number of housing blocks were lost from service altogether or were closed for periods of time. The post earthquake low was 2213.

This was due to earthquake related damage, the 'Red Zoning' of 5 sites by the government and the results of a 2 year program of engineering assessments (DEE's) to determine the seismic strength of buildings relative to the New Building Standard (NBS) 2011. The DEE's in some cases identified the need for the closure of a number of buildings from a public risk perspective.

Some buildings are still open but have been identified as 'constructive' losses from an insurance perspective. Others are open and have only modest earthquake repairs required but have a relatively low NBS rating that significantly reduces the likely economic life of the buildings.

However, a number social housing sites, blocks and units have been repaired and strengthened or had temporary works completed enabling them to be re-opened. The Community Facilities Rebuild Unit (CFRU) co-ordinates the earthquake response for all Council owned properties / buildings, focusing on earthquake related damage to properties. They also support investigations to determine Council's insurance entitlement and facilitate the DEE's, as well as compliance upgrades triggered by these works.

A prioritised program of investigations and works has been agreed. As a result some properties have ample information to make informed decisions while others are still at a preliminary stage. At this point in time Council's insurance entitlement has not been confirmed. As a result Council is exposed to significant risk around funding the earthquake related works. At this point in time it is likely that insurance proceeds will not be adequate to meet all repair costs to return the portfolio to pre quake conditions.

The anticipated network provision at the beginning of the LTP period is 2270 units (86% of pre-quake capacity), due to the demolition of buildings and the closure of others on health and safety grounds.

In many cases the scale of repairs or strengthening works requires a wider cost benefit analysis that takes into consideration deferred maintenance (over the last 4 years), the existing building design and the anticipated lifecycle issues.

More importantly, the anticipated demand for social housing sites and buildings and the wider network strategy for the activity need to guide the repair and refurbishment strategy.

The 2007 Social Housing Strategy has continued to anchor investment decision making for the longer term. However, it is apparent that the strategy needs to be reviewed to respond to financial pressures on Council's social housing service, the changes that have begun to emerge as a result of the earthquakes and central government's policy and funding initiatives.

6.4 The long term 30 year forecast.

While Council is now required to complete a 30 year financial plan the application of advanced asset planning requires a clear understanding of the service and financial risks over the full economic life of the assets. In the case of housing this has been determined to be 90 years.

To respond to this Council developed the Cost of Consumption (CoC) model in 2002. This cash-flow model has been reviewed and improved over the intervening years. The initial data and information was limited and the model relied on professional opinion and a number of assumptions. Where possible actual asset and management performance and expenditure has replaced or validated many of those early assumptions. While the earthquakes, inflationary factors and short term management decisions have influenced the results the broad profile of the model has remained consistent, largely dominated by the age profile of the portfolio.

The combination of capital and operational expenditure referenced in more detail in Section 11 is applied to the CoC but extended out beyond the LTP horizon to 90 years.

The following graph (figure 16) shows the expenditure profile for the portfolio over the next 90 years. The two graphs represent annual and variable expenditure and need to be added together to see the total cost profile for each year.

The solid red line shows annual expenditure. This covers all overhead and operating costs including annual asset related expenditure. The dotted line shows variable asset expenditure and this covers the planned works program including operational, renewals, replacement of complexes, earthquake repair costs and a limited number of rebuilds – taking the portfolio to 2366 units by 2018.

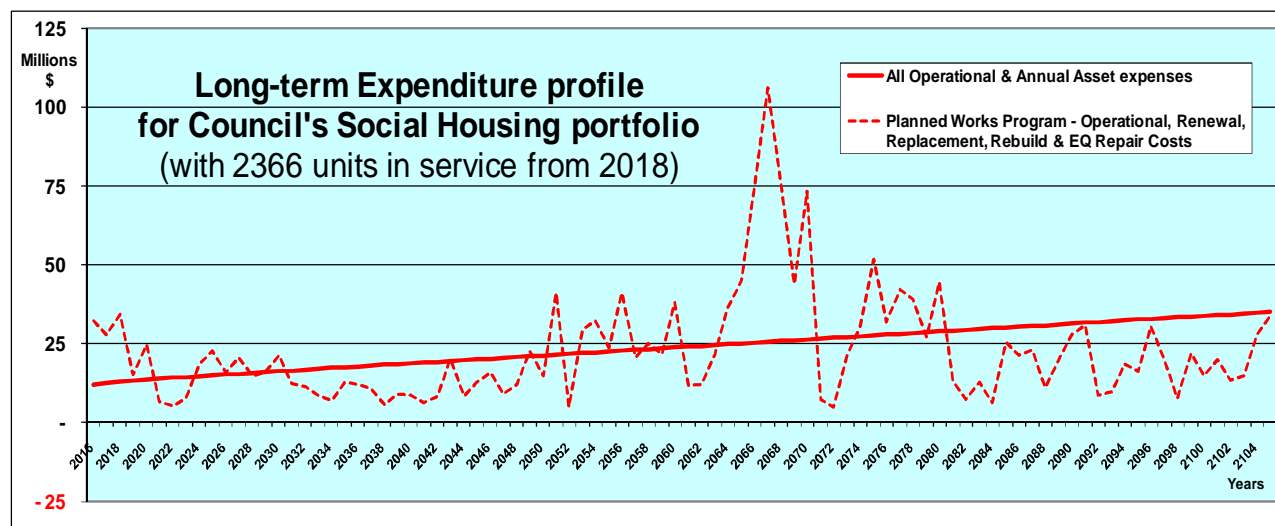


Figure 16

The variable expenditure over the next 15 years is dominated first by earthquake repairs and then by mid-life renewals and refurbishment works. The larger expenditure spikes generally show the replacement of housing blocks as they reach 90 years of age but also pick up concentrations of 'mid-life' expenditure.

The largest spike occurs in the 10 year period from 2064. This aligns with the expansion of the portfolio in the 1970's when over 51% of the portfolio was built. It is probable that closer to major spikes the works programs would be smoothed to even out the expenditure profile.

The cash-flow is inflated using long term average inflation indicators. Property and construction prices tend to experience boom and bust periods that are difficult to predict. Over time however property cycles are moderated by the long term economic growth and the ability of individuals in the market to afford higher prices. The financial model is however sensitive to the assumptions associated with these economic parameters.

The expenditure profile shown in Figure 16 is utilised in subsequent scenario's to explore the financial viability of alternate funding mechanisms or strategies.

The first strategy shows the current situation where rents are approximately 50% of the average market rent for the city. The profile assumes only limited rent increases in light of political desire to moderate the impact of rent increases on tenants.

This strategy is shown in Figure 17 on the following page. In most years revenue barely covers annual operating costs. This means that most variable expenditure needs to be funded by either debt, the Housing Fund or other sources. From a cash-flow perspective the service is therefore technically insolvent.

Revenue in the first year is high due to a (likely) payout from EQC / Insurance. As previously stated these negotiations have not been concluded so the figures could be significantly higher or lower.

While the impact of this payout sum being higher or lower is significant to resolving the earthquake related damage, over the full 90 year cash-flow the impact of this is modest.

As total revenue exceeds expenditure in year one a positive transfer into the Housing Fund of approximately \$5 Million occurs. This is shown by the starting position of the green line in Figure 17 and in Figure 18. This is added to the (anticipated) balance of Housing Fund at the end of June 2015 resulting in a new balance in the Fund of over \$18 Million - available for year two of the LTP.

However, beyond year one the annual transfer to the fund becomes negative - representing the annual loss experienced by the business. The green line shows a \$25 million loss by June 2017.

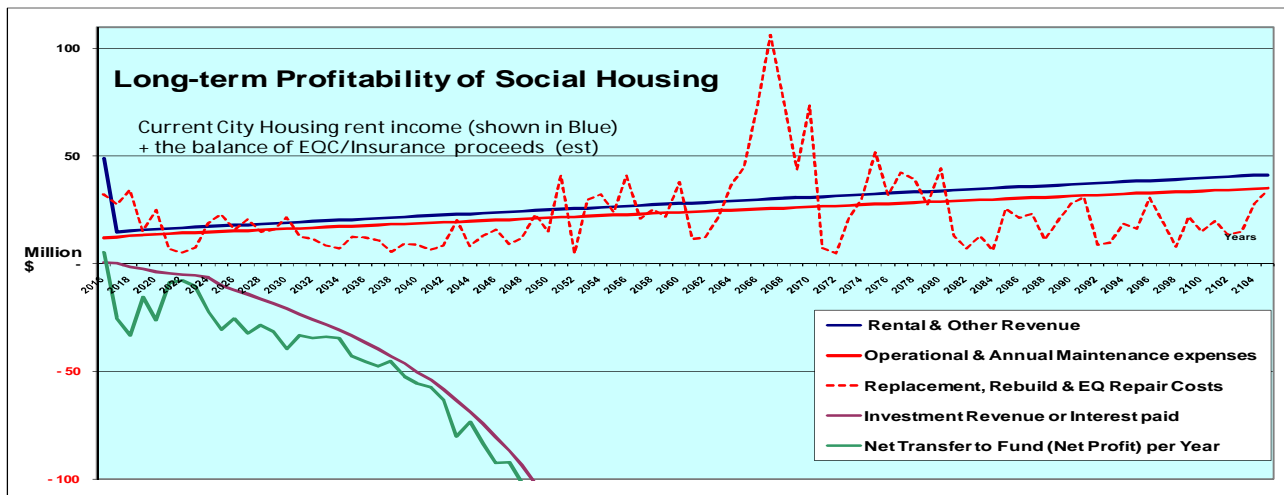


Figure 17

The purple line shows interest earned when a positive balance exists in the Housing Fund as well as interest paid when the the service has to borrow to fund the works program. With large annual losses occurring the business has to borrow, with debt servicing contributing to subsequent annual losses.

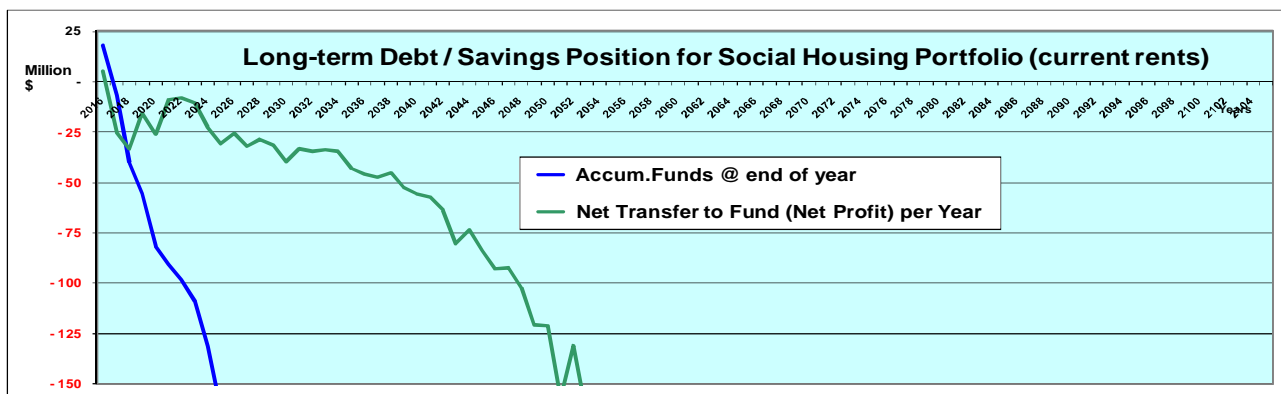


Figure 18

The blue line in Figure 18 shows the balance of the Housing Fund dropping from over \$18 million at the end of year one to a debt position of over \$160 million by the end of the 10 year LTP period.

By that time the annual interest bill grows to over \$10 Million as debt climbs. Without a substantial injection of funds or a significant increase in revenue the annual losses and debt servicing mean that close to 50% of the current book value or equity is eroded. Depending on asset appreciation this rises to 100% by 2031 (based on 2013 values) and the service is fully insolvent.

Using the current funding mechanism Council's Social Housing service will struggle to deliver some of it's core objectives of providing safe, accessible good quality housing to people on low incomes.

Partly in response to the funding shortfall (shown in Figure 18), Council in late 2013 and early 2014 explored 22 alternate strategies or options in relation to the provision of it's social housing service. These included options such as requesting direct lump sum payment from Government or partly funding the service from increased rates. Others included exiting the provision of social housing or significantly reducing the number of units provided (with a partial sale of the portfolio to fund the works program). None of these options were seen as probable or received significant support from the public, stakeholder groups or Councillors.

Another option included within the consultation was increasing the rent paid by social housing tenants.

Analysis from late 2013 / early 2014 showed that after allowing for repairs, mid-life upgrades, renewals and the replacement of the portfolio (as respective buildings approached 90 years of age) an increase of over 46% would be required to bring the service into a position of long term solvency.

At this rental level the service 'broke even' over the very long term but only just. Significant inflation and cost containment risks exist over such a long period and the recommended rent increase therefore represented the minimum increase required to make the service financially sustainable.

While Council would still be providing accommodation at below market rates, the feedback in general from the public, stakeholder groups and Councillors was that this would be too detrimental to the well-being of social housing tenants. Most Councillors believed that at a rent of between 75% to 80% of market Council would not be providing housing at an 'affordable level' for the type of tenants that met the criteria for social housing, one of the core objectives of the service.

A number of other options were explored in particular those related to accessing new government support by moving either the ownership and / or operation of the social housing service out of direct Council control and into a CHP (Community Housing Provider) entity.

This option or strategy received the most support from the public, stakeholder groups and Councillors and is described in more detail in 6.5 (below).

6.5 The 'preferred' long term Strategy

A variety of asset strategies exist that have the potential to optimise expenditure or generate more cost effective asset and service delivery solutions. These include disposal and redevelopment initiatives, partnering arrangements, sale and lease back options and identification of sites where the buildings are 'wound down' over a number of years before being sold or redeveloped.

However, none of these strategies adequately address the fundamental issue of insufficient funding, required to own and operate the social housing service over the long term at close to pre-earthquake levels

The Government has implied approval (in principle) to Council establishing a CHP which would then make a large portion of tenants eligible for the IRRS (Income Related Rents Scheme). The CHP as a provider of social housing would be eligible for a 'top up' to market rent. These arrangements have been in place for Housing New Zealand and their tenants for many years.

The mechanics of what, who and how the respective new entity or entities would operate or where asset ownership would reside have not yet been finalised. This is subject to Council approval and acceptance from Government agencies. As a result the 'preferred' strategy is still a proposal as opposed to a confirmed plan.

Regardless of the detailed mechanics or structure put in place the global funding equation for this option shows that sufficient rental income would be available to cover normal operating costs and variable expenditure in most years. This is shown in Figure 19.

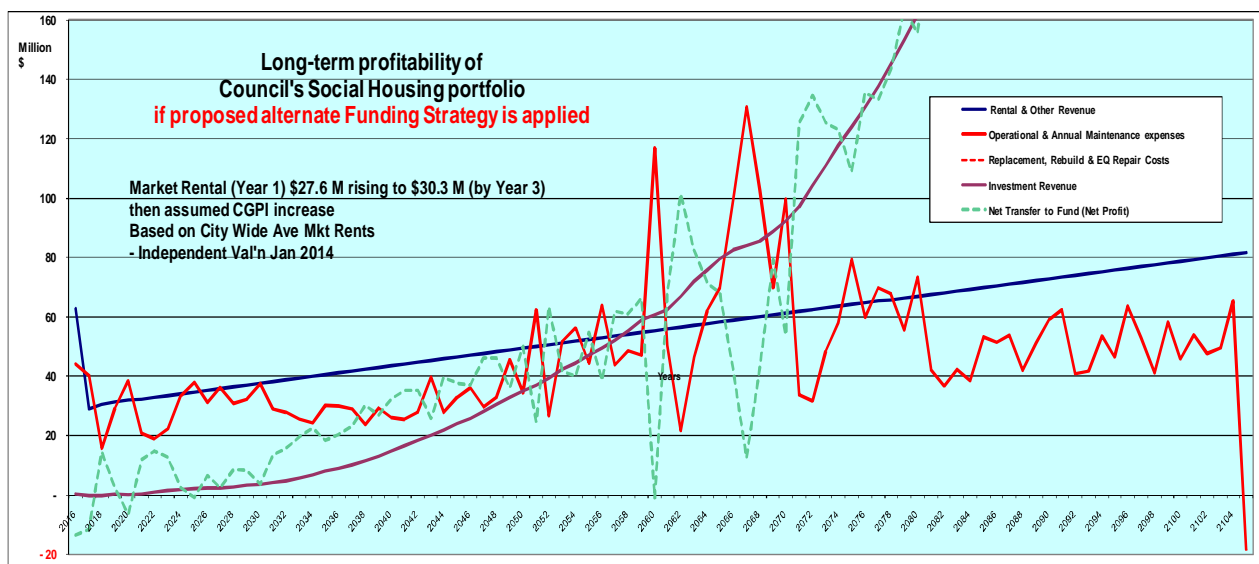


Figure 19

The expenditure profile shown in red is the same as in Figure 17 but in this graph both annual and variable expenditure is shown together, as a single solid red line.

The blue line represents the average market rents applied to the social housing portfolio, based on a desk-top rental valuation in January 2014.

The revenue line assumes that the Government approves the scheme and that it applies to all 2366 units. This revenue line probably represents the maximum funding likely to be available. The final cash-flow could be substantially less than that shown in the graph as the Government may stipulate a funding cap.

As in Figure 17 the revenue is high in year one as it includes an estimated residual payout from EQC and insurance. The final settlement could be less and this will influence the need for borrowing in early years.

The surplus generated in most years means the housing service does not need to carry any significant debt.

From around 2030 (Year 15) the annual cash-flow generate significant surpluses that should enable it to start setting funds aside for long term maintenance, renewals and unit replacement. The scale of these savings accumulates and by 2050 substantial interest is being earned each year – shown by the purple line.

The combined revenue from rent and interest earned generates an annual transfer to the Housing Fund that comfortably covers the cost of replacing the 1960's and 1970's housing stock.

With this scenario the Housing Fund balance drops into a debt position for several years within the first 5 years. This debt is less than \$10 million and the revenue stream is more than sufficient to pay off this debt quickly and within 10 years the fund is positive and growing at a very healthy rate. This is shown in Figure 20.

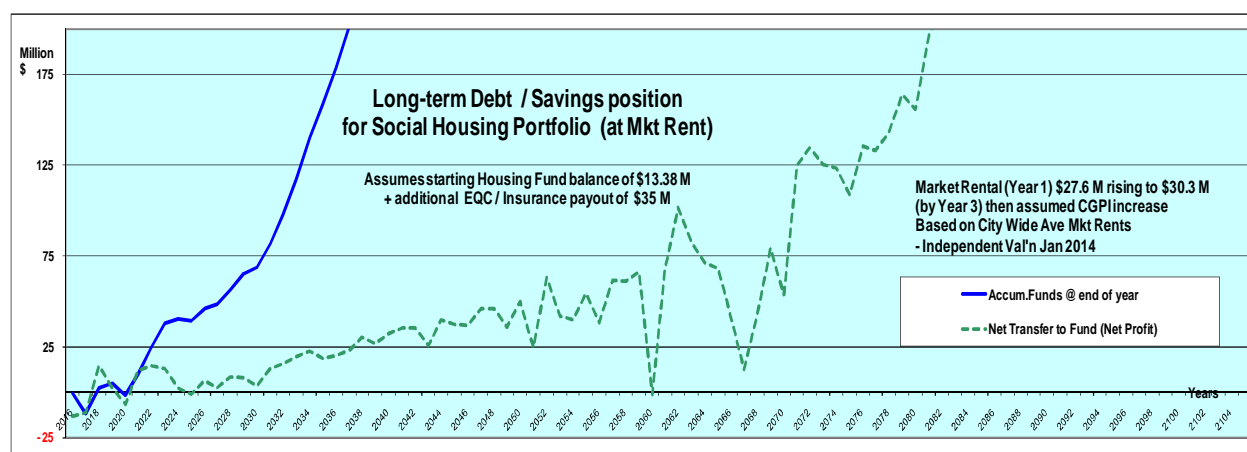


Figure 20

This option provides funding for the preferred asset strategy that returns the level of service to at least 2366 units in service by 2018. If Government applied a funding cap, revenue from a smaller number of eligible properties may still be able to provide a level of cross subsidy enabling up to 2366 units to return to service. If the Government funding is reduced the level of debt required to reinstate the 2366 units increases. At a certain point the level of revenue drops to a point where it cannot service the debt.

Other key assumptions remain in relation to alternate revenue streams, economic parameters and longer term asset performance. These are all important in relation to the confidence in the model.

Sensitivity analysis has been completed on various components and where the model seeks to operate at a zero rate of return (just covering all long term costs) it is very sensitive to cost escalation, lost revenue and the differential between key economic indicators.

From a commercial perspective phrase 'profit and risk' are intentionally linked together i.e. it is important to understand that an allowance for profit is also an allowance for risk.

Even with the very positive cash flow profile shown in Figure 19 there are significant risks around revenue and cost structures. The forecast should therefore be viewed as being provisional at this stage until greater clarity is obtained from Government, site and unit specific rental assessments are completed and cost structures associated with any new entities resolved and forecast.

On the balancing side work is ongoing with regard to various asset strategies that may help lower the short and long term cost profile. A separate report will be presented over coming months that compares the performance of individual sites using financial, service levels, demand and site utilisation criteria to rank sites from better performers to worse. This along with other investigations and asset strategies will contribute to an optimisation strategy due in the first half of 2015.

These will all contribute to validating and refining the preferred asset strategy for social housing.

7 Review of cost-effectiveness - infrastructure delivery

The Local Government Act requires local authorities to review the cost effectiveness of current arrangements for delivering infrastructure. The same criteria and options as defined in section 5 above apply (*Review of cost effectiveness - regulatory functions and service delivery*).

Service: Social Housing Complexes - Provide a portfolio of Social Housing rental units that are fit for purpose

Current Arrangements			
Governance	Funding	Delivery	Estimated Cost
CCC	CCC	Various contractors	\$25,000

8 Significant Effects

The significant negative and significant positive effects are listed below in Tables 8-1 and 8-2 respectively.

Table 8-1 Significant Negative Effects

Effect	Council's Mitigation Measure
Potential neighbourhood discomfort with proposed changes to housing type, density and community mix	Complete effective consultative processes with neighbourhoods and key stakeholders.

Table 8-2 Significant Positive Effects

Effect	Description
Christchurch has a clear housing vision and strategy	Planning work with a range of stakeholders supports and enables the aspirations and goals to be achieved that exist with the Housing Accord, and a range of other Local and Central Government plans
Private and community based housing market recovers and provides the range of housing options required within the community	Includes the private and community based market adjusting to and being able to meet the diverse range of housings demand as a result of the earthquake, effects of the rebuild on the population mix and country wide market forces. Local and Central government interventions will support this market adjustment..
Social housing sector within Christchurch, particularly the portfolio owned by Council, is financially sustainable	Establishment of a Community Housing Provider entity to operate the Council's social housing portfolio will enable the financially sustainable delivery of this community service. The approach will be rates neutral and provide a whole of life housing solution where tenants are paying no more than 30% of their income on housing.
Council achieves optimisation of its housing portfolio assets	Council's housing portfolio includes a mix of challenges and opportunities. Current and proposed initiatives will optimise the use of these assets for the community.

Effect	Description
Christchurch's social and economic structures strengthened	Stable and appropriate housing solutions are a foundation for the economic and social strength of communities.

8.1 Assumptions

Council has made a number of assumptions in preparing the Activity Management Plan. Table 8-3 lists the most significant assumptions and uncertainties that underline the approach taken for this activity.

Table 8-3 Major Assumptions

Assumption Type	Assumption	Discussion
Financial assumptions.	That all expenditure has been stated in 1 July 2014 dollar values and no allowance has been made for inflation. Construction cost inflation as a result of the earthquakes is provided for where possible.	The LTP will incorporate inflation factors. This could have a significant impact on the affordability of the plans if inflation is higher than allowed for, but Council is using the best information practically available from Business and Economic Research Limited (BERL). The inflationary pressure on the cost of construction as a result of the earthquake is subject to high fluctuations and is difficult to predict and manage.
Asset data knowledge.	That Council has adequate knowledge of the assets and their condition so that the planned renewal works will allow Council to meet the proposed levels of service, except where there is un-assessed quake damage.	However there are several areas where Council needs to improve its knowledge, plans and assessments and there is a risk that the improved knowledge will cause a significant change to the level of expenditure required. Additionally yet to be determined detailed earthquake damage assessments may impact on the ability to meet the level of service targets.
Growth forecasts.	That Christchurch will grow as forecast in the Growth Model (refer to section 1.2).	If the growth/demand is higher Council may need to review level of service targets and associated funding required to achieve these
Labour Cost Index.	That the cost of labour in the housing sector are predicted to be modest in line with the General Market at around 3% p.a. through to July 2017.	Housing sector organisations have specific and stable collective contracts. Inflationary pressures due to the quake are possible.
Cost of utilities	The cost of utilities such as energy and water increases at 2% p.a. until July 2018	Housing is a minor consumer of energy and water so the impact of unexpected change is low.

Assumption Type	Assumption	Discussion
Timing of capital projects.	That capital rebuilds and repair projects will be undertaken and financed in line with EQC and other insurance settlements.	Changes to the timings of the programme is likely due to factors such as insurance settlements negotiations, consents, engineering and contractor capacity, plus various partner operational requirements. Council tries to mitigate these issues by thorough forward planning. If delays are to occur, it could have an effect on achieving the level of service.
Third party funding of capital projects.	<p>That the Partnership Programme projects identified for potential funding will receive third party investment at the anticipated levels.</p> <p>That the main insurer negotiations for Earthquake damages are concluded and the anticipated amount is agreed.</p>	<p>The risk of Council not receiving anticipated third party funding and investment is high due to the post earthquake uncertainty in partner organisations. The impact is on long-term sustainability of the Housing Portfolio.</p> <p>An inadequate settlement from the main insurer would impact on the ability to achieve the housing portfolio level of service.</p>
Accuracy of capital project cost estimates	That the capital rebuilds and repair project cost estimates are sufficiently accurate enough to determine the level of service that will be achieved.	The risk of large under estimation or unforeseen structural issues due to the earthquakes is high. This will be managed through completing the essential work first before more moderate and cosmetic issues are addressed through the programme.
Changes in legislation and policy.	That there will be no major changes in legislation or policy.	The risk of major change is moderate to low.

9 Risk Management

Risks are listed in Table 9-1.

Table 9-1 Significant Risks and Control Measures

Risk Description	Current Control	Proposed Control	Target Risk Level
<p>Health & Safety for Housing Unit.</p> <p>Tenant, Staff & Contractor safety; Inter tenant conflict, (Anti Social Behaviour) EQ and Vacant Unit repairs being undertaken at complexes - potential for someone to get hurt. Social pressures presenting as H & S risks to staff & contractors.</p>	<p>Satellite locations used by Housing Advisors and Tenancy Advisors. Visiting of tenants alone. Interviewing applicants alone & situation of office used at Civic. All threats made to staff are reported to the Police, staff reports their movements with the office. Staff training. Housing has a Red Flag Register to identify potential issues, Tenant Risk Register (H&S) and a Risk Monitoring process to mitigate and diminish risk. Provide conflict resolution training to staff. Monitor staff contractor & tenant welfare.</p>	<p>H& S plans requested from satellite locations, to be reviewed. Stand alone H & S plan being developed for Housing Unit. CCL have H&S</p>	High
<p>Maintain quality of Social Housing: Maintenance of social housing to the appropriate level will improve health of tenants, reduce potential forced closures and avoid reputational damage.</p>	<p>Working with CEA (Community Energy Action) to upgrade insulation of units utilising community funding.</p> <p>Working through plans to create new Entity to access Government IRRS funding.</p>	<p>Continue to work with CEA and progress establishment of Entity.</p>	Medium
<p>Utilisation of Stock: City Housing stock being allocated to highest priority applicants</p>	<p>Due to the limited stock available, only those with the highest needs are being housed, which puts pressure on tenant mix. Higher complexities of clientele/social issues.</p>	<p>Applicants are matched to the most appropriate complex possible. However this is limited by available stock and existing tenant mix. Anti-Social behaviour policy. Red Flag and Risk Register.</p>	Medium

Risk Description	Current Control	Proposed Control	Target Risk Level
<p>Events: (earthquakes, tsunami, flooding, meteorites, volcanic eruption, pandemic event).</p>	<p>Business continuity plan in place. CDEM plan in place and practiced. Mutual Aid agreement with other water authorities. Participate in Lifelines activities and implement resilience measures. Tsunami warning system in place. Lessons learnt built into infrastructure rebuild standards. Contractual relationships with key contractors contain CDEM commitments in emergencies. Implement CDEM instructions and Business Continuity Plans. Activate contractor response plans and mutual aid agreements as required.</p>	<p>CHEOMP's (City Housing Emergency Operational Plans) in time of natural event complexes contacted so risk/damage of natural event can be ascertained & mitigation steps put in place.</p>	High
<p>Repair Social Housing: Repairs not undertaken in timely manner resulting in reduced availability of social housing.</p>	<p>Prioritised as part of Facilities Rebuild Plan Programme. On Top 30.</p>	<p>Accelerated programme of repairs being auctioned. Monthly report on Repair status to Housing Committee and Council. Global settlement of EQC and main insurer claims underway. Additional \$15 million interim EQC payment received to fund current repair stream. Work to increase revenue through the establishment of a CHP allowing additional funding to cover some of this repair work.</p>	High
<p>Rebuild Social Housing: Cost of the rebuild is not rates funded and needs to be financially sustainable whilst also meeting needs of tenants</p>	<p>Conduct full cost of consumption modelling and procure sustainable designs, on an annual basis.</p>	<p>Principles of the Cost of Consumption Modelling have been peer reviewed. Seek innovative ways to rebuild using the Council's partnership programme.</p>	High
<p>Embedding of environmentally sustainable practices: opportunity as a result of the post earthquake rebuild. Opportunity.</p>	<p>Ensure opportunities and options are considered. Keeping in mind current fiscal strategy</p>	<p>Evaluating whole of life costs on projects. Life mark; Home star: Energy efficiency.</p>	Low
<p>Legal and Licensing Compliance: Significant failure to comply with the Residential tenancies Act - finding against the Council, reputation damage.</p>	<p>Housing policies, staff training, Cliental and operational supervision of staff. Red Flag Register which identifies potential risks and puts plans in place to mitigate and diminish these.</p>	<p>Policies are regularly reviewed and as changes are made training is provided. Audit Process in place and constantly reviewed.</p>	Medium

Risk Description	Current Control	Proposed Control	Target Risk Level
<p>Funding: As noted in the SCP and in Financial reports to Council, City Housing cannot remain as an ongoing concern with its current financial model.</p>	<p>Council has recommended that City Housing form an entity which will allow it to access IRRS and therefore increase the amount of revenue.</p>	<p>Work is underway in regards to the Entity.</p>	<p>High</p>
<p>Entity: Not approved by council or unable to get registration as a Community Housing Provider.</p>	<p>Met with Regulator, taking individual stages through Council, and had the Entity ratified by the Christchurch Housing Accord.</p>	<p>Project plan to identify critical dependencies and Entity project work contains own risk strategy.</p>	<p>Medium</p>
<p>Housing Accord: Council and Government disagree on how the Accord is interpreted and implemented. Either party can terminate the agreement. Without an agreement, Government can exercise powers under the Housing Accords and Special Housing Areas Act 2013 to intervene in areas of planning and consent.</p>	<p>Council and Government officers meet monthly to discuss progress and resolve issues.</p>	<p>Continue to meet monthly, monitoring reports quarterly and develop project plan to identify critical dependencies, milestones and timelines to maintain implementation momentum.</p>	<p>Medium</p>

10 Improvement Plan

10.1 Pre-earthquake status

Asset management planning at Christchurch City Council was last subject to an external peer review by Maunsell (Aecom) NZ Ltd in late 2007 with regard to compliance with both Audit NZ criteria for asset management and requirements of the LGA 2002. Asset Management Planning for Housing was assessed as being at between core and advanced, with most elements being core but some at an advanced standard. The findings and recommendations were incorporated within the 2009 Asset Management Plan and either implemented or added to the Improvement Plan task lists (within that document).

A key focus during 2010 was implementation of Council's new Asset Management information System (AMiS). Due to the 2010 earthquakes this did not go live until 2012, with a de-scoped program.

10.2 The impact of the earthquake, current challenges and status

The effects of the 2010/2011 earthquakes have largely superseded earlier priorities and improvement plans. It necessitated a largely reactive response to earthquake and consequential damage, created fresh regulatory requirements and forced the closure of many facilities. It abruptly interrupted and changed demand factors and this area still remains somewhat dynamic. Insurance discovery phases, negotiations and delays have resulted in the deferral of normal planned works programs. The focus on earthquake related matters also compromised normal business processes and planning.

Unplanned failures and other asset performance issues are occurring due to damaged buildings and four years worth of deferred maintenance. This will be compounded by further program delays and financial constraints.

A program of inspections by CFRU asset management and operational staff has occurred over the last 18 to 24 months. This considered asset condition as well as the priority, timing and high level scope of works for contract maintenance and the planned operational and capital renewal projects. This has been used to inform the provisional LTP budget profiles shown in sections 6 and 11.

This works programme takes into account the CRFU programme of repairs and strengthening that span the next three to five years. However, in some cases insufficient detail is available to determine the extent of any overlap between the separately funded strengthening works, insurance funded works and the normal renewals and planned operational projects. The CFRU focus on prioritised work packages and those that sit later in the programme have less supporting information.

The resolution of insurance claims is central to funding issues and the program and viability of works could be affected if insurance proceeds are substantially less than forecast. A focus on data and information integrity will be key Improvement Plan tasks over the next few years along with the alignment of CFRU and normal BAU works programs.

The willingness and capability of Christchurch City Housing tenants to bear significant rent increases is generally accepted as being low. With significant financial pressures emerging for Council, its operating costs and the planned works program are likely to come under increasing scrutiny. Alternate ownership and funding strategies are currently being contemplated however if this is not implemented it is anticipated that normal levels of service in terms of the number of units available will need to be reduced significantly, along with the standard of asset maintenance and performance. Preliminary implications of this are discussed later in the Activity Management Plan however, anticipating and understanding these implications is likely to be a focus of the Improvement Plan (being prepared).

The impact of the earthquake on the nature and location of Social Housing stock is starting to emerge however demographic changes are likely to remain volatile for some time. Planning for new Social Housing may need to remain agile in relation to new information and emerging trends. It is anticipated that this area of demand forecasting will need to be a focus within the Improvement Plan.

The documentation of Asset Management Plans including the Improvement Plan is planned for late 2014 and early 2015. These will be in a draft format prior to being finalised, following the sign off of the LTP in late June 2015.

An external peer review of Council's asset management practices and the draft plans is scheduled for the second quarter of 2015. The objective is to amend, refine and prioritise the Asset Management Plan's and the Improvement Plan as required.

11 Operations, Maintenance and Renewals Strategy

Planning for operations, planned preventative maintenance and projects (capital and operational) is provided by the Housing Unit staff in tandem with the Property Asset Management Team, a shared COO resource. All planning is considered in light of desired 'levels of service' and strategic direction, as well as wider parameters and directions advised Council.

11.1 Operations and Maintenance

The day to day tenancy management and operation of Social Housing is managed by Housing Unit staff. The governance and specification of maintenance is managed in-house by Housing Unit staff in tandem with the Property Asset Management Team and the Facilities Management Team.

Maintenance is delivered through a comprehensive outsourced contract managed by the Facilities Management Team, a shared corporate resource. This allows for scheduled and planned preventative maintenance through a general contractor and specialist subcontractors. Reactive maintenance is managed in a similar fashion. All asset data is captured, analysed and used to inform forward planning.

In addition to regular cyclic maintenance (such as painting) it become evident over the last 10 years that over half the units needed refurbishing to make them fit-for-purpose, enabling them to remain in service for another 45 years. Most of this work is capital in nature including significant operational expenditure. This program of work was scheduled to commence around 2015 but with earthquake damage and strengthening work the scheduling of the works has become more complex.

Analysis of Operating Costs

Non-asset maintenance expenditure averages approximately \$8.6 million per year.

Base holding costs such as rates and insurance have historically shown upward volatility and over time these cost increases have added to pressures on maintenance funding. Annual rates cost \$2.4 million.

The annual insurance premium is \$1.93 million and this provides cover for all material loss except earthquakes. The largest single risk for the portfolio is a major earthquake, probably associated with the alpine fault line. Once the earthquake repairs have been completed an additional annual premium of \$1 million has been estimated as reasonable. This may also be required by the Government under the lease obligations of Council or a new asset owning entity.

Options for self insurance exist but a formal strategy around Council's approach to this has not yet been agreed. In general self insurance involves sums of money being set aside and invested to cover events. Higher sums than those expended on insurance are generally required to be set aside in the early years to help moderate the high exposure to being un-insured.

In the case of Council social housing the need to contribute to a dedicated replacement fund may provide an opportunity to dove-tail this with setting funds aside for self insurance. In later years as the balance of the fund grows it may be possible to reduce the annual contributions from one or both of these.

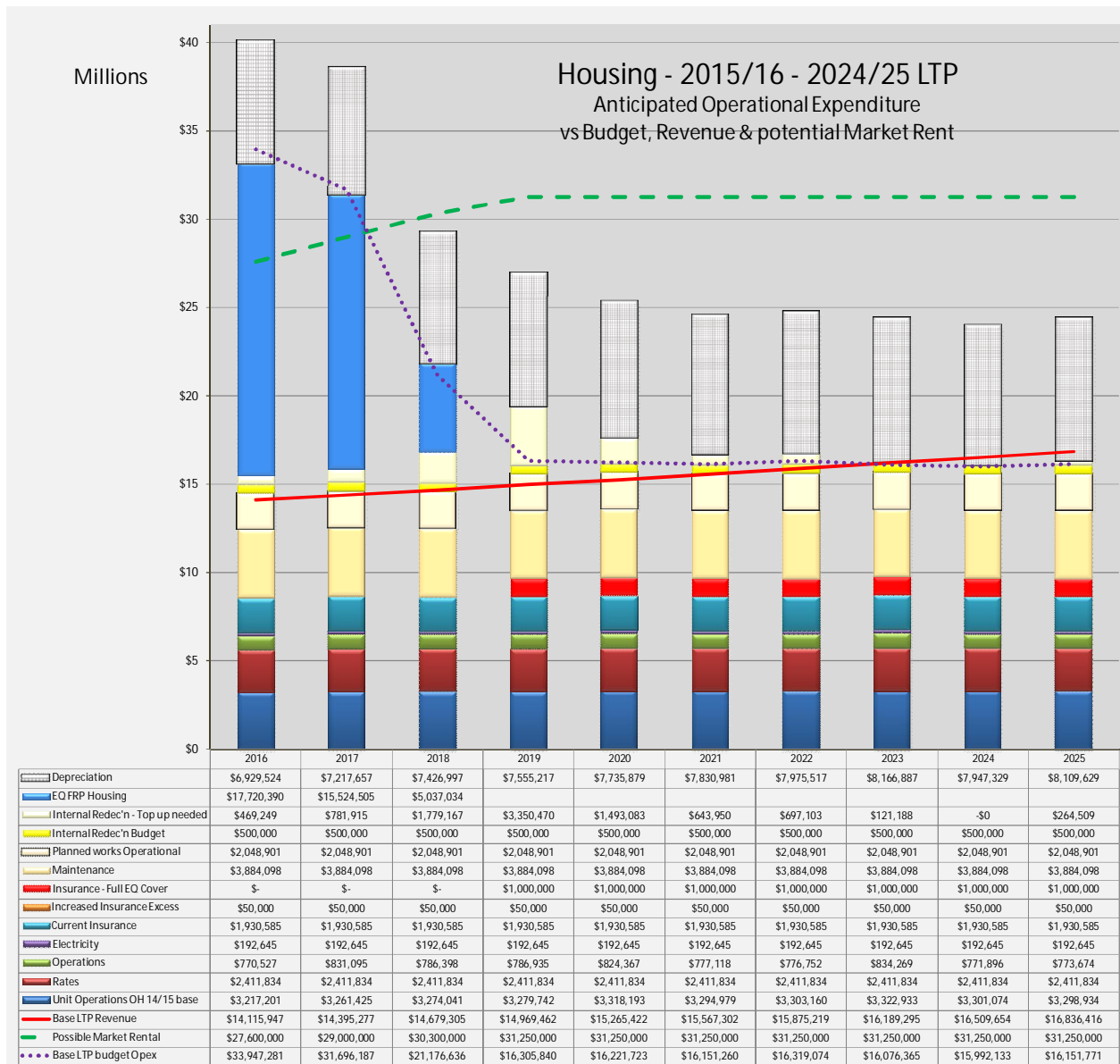
The current insurance cover includes a higher excess than in the past (it was \$5,000 per event but is now \$10,000). This exposes the service to the risk of much higher reactive spend than normal. Considering the history of pre-quake insurance claims an average annual allowance of \$50,000 has been made.

Overhead and other operating costs average just under \$4.2 million per year. This includes \$3.2 million on staff and administration costs with the balance relating to electricity and various other operational costs.

These costs along with asset maintenance expenditure are shown in Graph 1 on the following page. The graph spans the 10 year LTP period and covers all operating expenditure anticipated to run the 2366 social housing units, including operational works associated with the earthquake repairs.

The graph also shows depreciation charges (hatched) at between \$7 Million and \$8 Million. This is required for replacement of units as they reach the end of their economic life. It also allows for replacement of building components such as roofs, doors and windows, carpets, equipment and services. Ideally depreciation sums collected over the last 40 (+) years would be available. This is not the case, as the funds have been spent.

Overlaid on the 'recommended' profile is the available revenue from rents based on current 2014/15 levels and small increases over the next 3 years that reflect the return to service of a number of closed units and new replacement units planned. The stepped rent increase approach has lapsed and there is no agreed mechanism in place for rent reviews at this point in time.



Graph 1 – Recommended 10 year Operating Profile contrasted with existing rental revenue & Budget 2015/16 – 2024/25

The forecasts are based on 2015 \$ with no allowance for inflation for construction related spend.

Asset maintenance and earthquake related repairs are discussed further in the following section. However, the gap between rental revenue received and total expenditure (excluding depreciation) equates to approximately \$46.5 million.

The anticipated balance of the Housing Fund at the beginning of the LTP period will be approximately \$13.5 Million. This together with the anticipated payout from insurance and the balance of the EQC payments could be sufficient to fund the above 'operational' repairs and works program.

However, it leaves the Housing Fund close to a nil balance. As shown above current revenue is insufficient to fund normal depreciation savings so the Housing Fund would not grow. This leaves no funds for the anticipated \$105 Million capital expenditure required over the next 10 years (see Section 11.2).

This equates to an overall cash-flow shortfall of around \$10 million per year for the next 10 years.

If Council (or a new CHP housing entity eligible for the IRRS scheme) received a rental income equivalent to market rents the service would generate an additional \$15 million per year – above the current rental income.

Beyond the 10 year LTP period asset expenditure is generally lower however an accelerated program of saving is required to build sufficient funds to replace the portfolio as each building reaches around 90 years of age. This is discussed further in the Section 6 - Long Term Infrastructure Strategy.

Analysis of Maintenance Costs

Grounds and preventative maintenance along with compliance costs are grouped as Maintenance in Graph 1 on the previous page. Some mandatory costs exist for a small number of buildings that need a warrant of fitness (BWoF) as well as other health and safety checks and procedures needed at some sites. Regulations and legislation change on a regular basis and costs have historically risen above CPI and CGPI indices. Over recent years the budget for these areas has been cut back to a bare minimum. Few opportunities exist to reduce these further without noticeable effects occurring.

Also included under the maintenance heading is reactive maintenance. This is well above historic levels due to the deferral of planned works and renewals over the last 4 years. Efforts have been made to limit reactive maintenance to health and safety issues along with keeping buildings open and weather tight. The Facilities Rebuild program of work means many planned projects and renewals are still on hold and the ongoing deferral of these works is likely to add more pressure to reactive maintenance issues.

As a general guide reactive works are more expensive than those planned in advance. They also provide less opportunity to consider alternate solutions that reduce ongoing costs or provide a better overall outcome for tenants or Council.

Planned operational projects include works such as exterior timber staining and exterior painting programs - every 10 to 12 years depending on substrate materials. Regular painting or treatment of the exterior fabric protects the substrate from degradation and helps avoid leaks. Over the long term this can save significant sums by prolonging the life of the asset. Over half the exterior painting projects are now overdue and many of these are likely to be completed as part of an earthquake repair or strengthening program over the next three years.

Interior painting cycles are driven more by aesthetics and customer expectations. The interior painting program has historically been managed under the FM contract as 'standing plans or charges', together with some low cost capital and unit refurbishments. This work is closely associated with vacancies, as this allows the work to be completed without the need to provide alternate temporary housing for tenants. To speed up the process and reduce the lost revenue (from the unit being vacant) a pre-approval process has been agreed.

Interior painting works have largely been on hold since the earthquakes and the current budget provision of \$500,000 will not enable interiors to be painted within the agreed 10 to 12 year cycle. Graph 1 shows that on average over the next 10 years an additional \$1 Million is required each year. In the first three years of the LTP significant interior painting works are also incorporated within the EQ FRP repair program.

Modest allowances have been made for construction related inflation in the forecast. The FM contract has sheltered Council from the direct impact of market pressures in the construction industry however ultimately material and labour cost increases have to be passed on. Recent changes to the Health and Safety legislation are also anticipated to add significantly to the cost of both reactive and planned maintenance.

In some situations planned operational projects can be coordinated with capital renewals to reduce the impact on customers and obtain cost savings e.g. by sharing scaffolding costs. Compliance upgrades associated with accessibility, fire and safety along with functional issues with toilets and kitchens also tend to trigger associated operational works.

11.2 Capital Renewals (& earthquake related Capital expenditure)

Capital renewals for Housing can be broadly categorised into those that have high frequency (i.e. shorter lifecycles), medium or low frequency (i.e. longer life-cycles).

The short cycle components such as carpet, linoleum and equipment (e.g. heaters) range from 10 to 15 year replacement cycles. Medium term cycles cover components such as stoves, hot water cylinders and driveways and car-park asphalt with cycles of 20 to 35 years.

Longer term renewals of 40 to 50 years have been commonly called 'mid-life' refurbishments. These relate to things like kitchen and bathroom fit-outs, roof replacement, door and window replacements, sewer, land drainage, water supply and electrical boards and cabling.

For Housing the timing of anticipated 'midlife' works over the last decade has been influenced by the desire to keep the cost to the tenant as low as possible and maximise the number of people Council could house. This has meant trying to limit these renewals to once in the assets life.

With an average anticipated life of housing at 90 years of age the mid-life 'target' has been set at around 45 years of age. A large number of older complexes had early renewals or upgrades at around 30 years of age in the 1990's. For some of these properties a second 'mid-life' refurbishment will be required as the components or areas are unlikely to survive 60 years. These early renewals represent some of the 'lost' savings that have left the Housing Fund with lower balances than ideal.

Technically renewals are 'like for like' however, opportunities exist to get better outcomes for tenants by applying improved materials, technologies or design, as well as complying with new regulatory requirements.

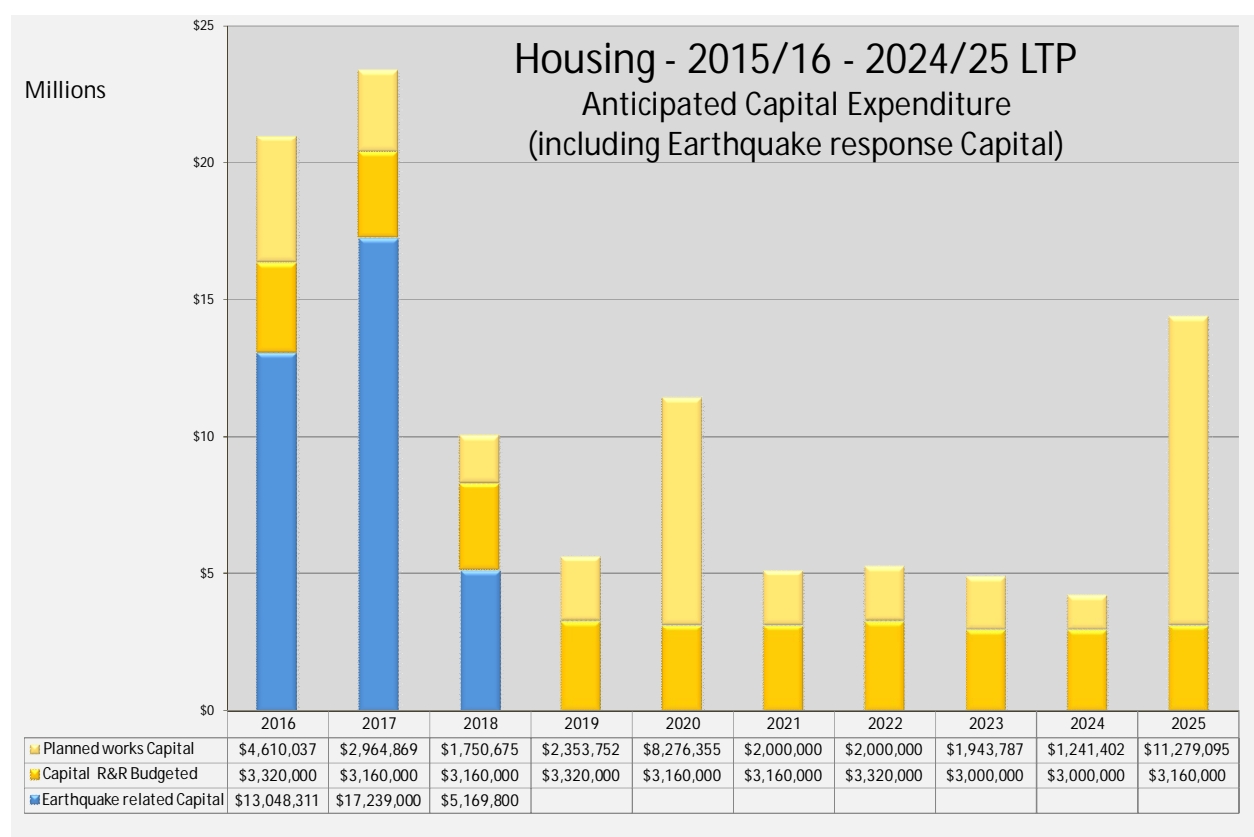
An example of this is the provision of double glazing when window frames are replaced, resulting in much better thermal performance and meeting current code requirements. Modern hot water cylinders have much better inbuilt thermal capacity and thermal blankets are therefore no longer required.

Opportunities also exist to enhance units in cost effective ways by undertaking these when a renewal is due. For example insulation can be installed more cost effectively when difficult to reach ceiling spaces are exposed during a roof replacement or wall linings are removed to complete a bathroom or kitchen fit-out.

As mentioned previously, bundling a number of works together can sometimes produce more cost effective solutions and also tend to reduce both the disruption to tenants and lost revenue while works are being completed. Savings can also be found by integrating earthquake repairs and strengthening with normal renewals, planned works (operational) and maintenance.

Graph 2 below shows anticipated earthquake related capital expenditure (blue) and capital renewals. The capital renewals are split into those currently allowed for in the historic budget and those recommended if funding can be obtained. The total forecast expenditure equates to \$105 Million over ten years.

The earthquake related capital expenditure amounts to a program of around \$35 Million over 3 years. The normal capital renewal budget equates to a program of around \$70 Million over the 10 years.



Graph 2 – Recommended 10 year Capital Renewals and Earthquake related Works Profile for 2015/16 – 2021/22

The program of earthquake related capital works are detailed in CPMS (Council's capital management tool). They are also reported in more detail on the regular monthly updates from FRBT.

Many of the projects have been fully designed, scoped and priced. However, most of the works in year 2 and 3 of the LTP do not have this level of scrutiny as yet.

The timing and nature of the normal renewals works is also influenced by the nature and extent of the earthquake related works. Detailed scopes need to be developed to maximise the mix of earthquake funded works with normal capital renewals and the planned operational works program.

A significant risk to the FRT program of earthquake related works is that insufficient operational funds are available to align with their program. This may compromise economies of scale and scheduling efficiencies.

The risks and implications associated with the reduced capital (and operational) works program budgets for Housing sites are summarised below:

- inferior asset protection
- reduced reliability
- reduced cost effectiveness
- Lost opportunities
- reduced availability
- Council & Christchurch Libraries reputation
- higher costs in the future
- scheduling and delivery issues
- earthquake response legacy

Asset degradation, health and safety and compliance issues are all likely to result in unplanned urgent expenditure (e.g. water or sanitary services failures) and temporary closures. The tenant's experience and satisfaction is likely to suffer, not only from an aesthetic perspective but also from environmental conditions such as poor insulation and roof leaks as well as from inconvenience due to unreliable household equipment

In summary, without adequate funding over the next few years it is highly likely that the level of asset performance problems and service failures will increase and that Council will go from generally being regarded as a good landlord to a poor one.

12 Key Projects

Table 12-1 details the key capital and renewal work programmed for years 2015 to 2025.

This information is provided via the capital programme work that has already been presented to Council for consideration as part of the Capex review.

Table 12-1

Project Name	Description	Year 1 (\$)	Year 2(\$)	Year 3 (\$)	Years 4-10 (\$)	Project Driver

Council is also completing an Earthquake repair and rebuild programme for the Social Housing Portfolio to provide 2,366 open units by the end of Year 3. The programme is being completed with interim payments from EQC and drawing on the Social Housing Fund as approved by Council. The final programme will be approved and completed once insurance settlements are agreed with EQC and Council's insurer.

Note: G = Growth, LoS = Levels of Service, R = Renewal

1 See Appendix F for a full detailed list of new capital works projects driven by growth and / or an increase in level of service.

2 See Appendix I for a full detailed list of renewal projects.

13 Summary of Cost for Activity

HOUSING	Funding Caps in 2015/16 Dollars				Benefit Direct/ General Allocation %	Funding - Fees/ Subsidies %	General/ Targeted Rates %	Period of Benefit (years)	Comments
	2014/15 Annual Plan	2015/16	2016/17	2017/18					
	000's								
Operational Budget									
Social Housing Complexes	10,079	9,006	8,385	7,786	90/10	100/0	0/0	ongoing	
Tenancy Services	2,367	2,398	2,389	2,356	90/10	100/0	0/0	ongoing	
Affordable Housing Services	-	-	-	-					
Emergency/Transitional Housing Services	-	-	-	-					
Housing Policy	-	-	-	-					
Housing Accord Services	-	-	-	-					
Activity Costs before Overheads	12,447	11,404	10,774	10,142					
Earthquake Response Costs	10,337	1,593	971	-					
Corporate Overhead	983	930	902	836					
Depreciation	6,012	6,351	6,529	6,734					
Interest	1	-	-	-					
Total Activity Cost	29,780	20,276	19,176	17,712					
Funded By:									
Fees and Charges	13,386	15,315	15,315	15,315					
Grants and Subsidies	-	-	-	-					
Earthquake Recoveries	-	-	-	-					
Total Operational Revenue	13,386	15,315	15,315	15,315					
Net Cost of Service	16,393	4,961	3,861	2,397					
Funded by:									
Housing Account - normal operations	6,057	3,368	2,890	2,397					
Housing Account - earthquake repairs	10,337	1,593	971	-					
	16,393	4,961	3,861	2,397					
Capital Expenditure									
Earthquake Rebuild									
Renewals and Replacements									
Improved Levels of Service									
Additional Demand									

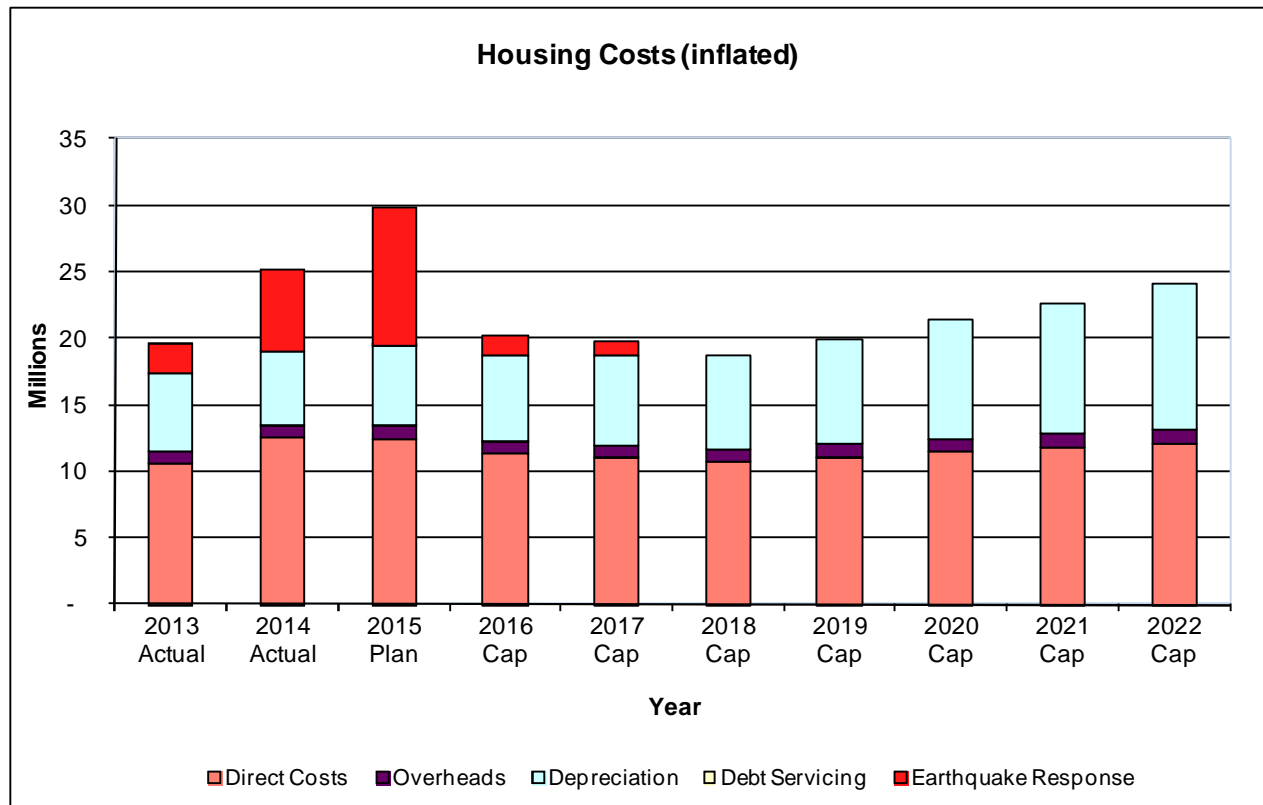


Figure 16

Appendix 1- Implications of the deferring the works program for Social Housing

Risks and implications associated with deferring the works program due to funding constraints are summarised below:

1. inferior asset protection

This can result in asset degradation such as split timber or the rotting of the substrate structure - due to a lack of staining / painting allowing weathering or water ingress. The effects compromise the appearance of the properties and ultimately contribute to higher costs in the future as remedial work is required to restore (if possible) the asset to a good state.

2. reduced reliability

A lack of timely maintenance or servicing leading to inferior asset performance (life of components e.g. roof leaks), failure of components or equipment resulting in reduced service (e.g. Stove's / Hot Water Cylinders break-downs), failure of water supply / sanitary services inconveniencing tenants.

3. reduced availability

As above but resulting in the closure of a building or area's within a building

4. Reduced cost effectiveness.

Scheduling of planned operational works with capital renewals (& the Facilities Rebuild Team's scheduled works program) compromised. Likely consequence of higher costs (e.g. painting costs much higher as unable to share scaffolding costs between a roof / gutter replacement with an exterior repaint or with EQ repairs).

5. Christchurch City Council's reputation

Customer perceptions and / or satisfaction jeopardised (i.e. 1, 2 & 3 above as well as visual / aesthetic appearance being poor).

6. Lost opportunities

EQ repair funding diverted to an alternate asset strategy / solution (e.g. use EQ funds to re-design a problematic roof instead of simply completing a like for like repair).

7. Higher costs in the future

Due to the effect of inflation, a compressed 'deferred' works program at some point in the future would be required due to the poor condition of the asset (adding pressure to an overheated market) and added costs from asset degradation (see 1 above)

8. scheduling and delivery issues

With capped expenditure across all Council facilities, the ability of CCC staff and contractors to subsequently deliver all of the deferred projects will be 'physically' very challenging. Contractors may need to lay off staff in the short term and would then have to build capacity very quickly to meet the demand of the works program spike.

9. earthquake response legacy

The compressed works program is likely to create a legacy spike with similar issues re-occurring for the future (due to the cyclic nature of many of the works (i.e. painting generates a 10 to 12 year cycle when the work is due again). This presents practical and financial pressure points that could be averted if the deferred works program was spread over a longer period.